

SENATE



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CANADA

**REPORT ON THE
*SUPPLEMENTARY ESTIMATES (A), 2009-2010***

**Standing Senate Committee on
National Finance**

NINTH REPORT

Chair

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Deputy Chair

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June 2009

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**REPORT ON THE
SUPPLEMENTARY ESTIMATES (A), 2009-2010**

INTRODUCTION

The *Supplementary Estimates (A), 2009–2010* were tabled in Parliament on May 14, 2009 and subsequently referred for review to the Standing Senate Committee on National Finance.

The *Supplementary Estimates (A), 2009–2010* are the first set of Supplementary Estimates that were issued in this fiscal year ending on March 31, 2010. Unless otherwise stated, all page references are from the *Supplementary Estimates (A), 2009-2010* document.

The committee held two meetings to review these Supplementary Estimates. On June 2, 2009, officials from the Treasury Board Secretariat of Canada, Brian Pagan, Executive Director, Expenditure Operations and Estimates Division and Ken Wheat, Senior Director, Expenditure Operations, appeared before the committee to testify on the *Supplementary Estimates (A), 2009-2010*. On June 3, 2009, officials from National Defence, Canada Mortgage and Housing Corporation (CMHC), Human Resources and Skills Development Canada (HRSDC) and Service Canada met with the committee. The officials from National Defence were Rear-Admiral Bryn Weadon, Assistant Deputy Minister - Finance and Corporate Services, David Jacobson, Chief of Staff, Assistant Deputy Minister – Materiel and Colonel Richard Giguère, Strategic Joint Staff. The officials from CMHC were Michel Tremblay, Chief Financial Officer and Sharon Matthews, Vice-President, Assisted Housing. The officials from HRSDC were Karen Jackson, Senior Assistant Deputy Minister, Income Security and Social Development Branch, Frank Vermaeten, Senior Assistant Deputy Minister, Skills and Employment Branch, Paul Thompson, Associate Assistant Deputy Minister, Skills and Employment Branch and Su Dazé, Comptroller. Finally, Liliane Binette, Assistant Deputy Minister, Operations Branch, represented Service Canada.

THE SUPPLEMENTARY ESTIMATES (A), 2009-2010

Supplementary Estimates are tabled in Parliament approximately one month in advance of the related Appropriation Act. They serve a number of purposes. First, they provide information on the government's spending requirements that were not sufficiently developed when the *2009–2010 Main Estimates* were tabled, or have been subsequently refined to account for new developments in particular programs or services. Second, they provide Parliament with information on changes in estimated statutory expenditures (i.e., those authorized by Parliament through enabling legislation). Finally, they are used to seek parliamentary approval for items such as: transfers of money

between Votes; debt deletion; loan guarantees; new or increased grants; and changes to Vote wording.¹

These Supplementary Estimates continue to reflect the government's commitment to renew the Expenditure Management System (EMS). Normally there are at least two Supplementary Estimates documents tabled each year. Each document is identified alphabetically (A, B, C, etc.). For the second year, in keeping with government commitments to renew the EMS, *Supplementary Estimates (A), 2009–2010* were tabled in May in order to facilitate a closer alignment of the Estimates to the Budget. These Supplementary Estimates represent the second opportunity for Parliamentary review of departmental program requirements this fiscal year.

Pages 40 to 64 of the estimates provide a preview of the related supply bill (Proposed Schedules 1 and 2 to the Appropriation Bill), and include, by department and organization, a list of Vote numbers, the Vote wording, and the requested funds that will be proposed to Parliament for approval. There are two schedules to the Appropriation Bill in these Supplementary Estimates: the first identifies those items for the fiscal year ending March 31, 2010; the second identifies those items that may be charged in the fiscal year ending March 31, 2011, specifically, multi-year appropriations for the Canada Revenue Agency, the Parks Canada Agency and the Canada Border Services Agency.

OVERVIEW OF THE SUPPLEMENTARY ESTIMATES (A), 2009-2010

A. Planned Spending

In the Estimates documents, planned spending is broken down by budgetary and non-budgetary expenditures and is displayed for both voted and statutory expenditures.² As shown in Table 1 below, the *Supplementary Estimates (A), 2009–2010* total \$59.1 billion. Of this amount, the federal government is seeking Parliament's approval to spend \$5.3 billion, while statutory expenditures are expected to increase by \$53.8 billion.

¹ The latter items often do not require additional appropriations and are included in the related supply bill by the notional amount of "one dollar" since in order to be listed in the bill an item must have monetary value.

⁽²⁾ **Budgetary** spending encompasses the cost of servicing the public debt; operating and capital expenditures; transfer payments and subsidies to other levels of government, organizations or individuals; and payments to Crown corporations; **Non-budgetary** expenditures (loans, investments and advances) are outlays that represent changes in the composition of the federal government's financial assets; **Voted** expenditures are those for which parliamentary authority is sought through an appropriation bill; and **Statutory** expenditures are those authorized by Parliament through enabling legislation; they are included in the Estimates documents for information purposes only.

**Table 1 – Total Supplementary Estimates (A), 2009–2010
(in millions of dollars)**

	Budgetary	Non-Budgetary	Total
Voted Appropriations	5,005.1	247.8	5,252.9
Statutory Appropriations	1,552.1	52,271.8	53,823.9
Total	6,557.2	52,519.6	59,076.8

Source: *Supplementary Estimates (A), 2009–2010*, p. 8.

Total Estimates to-date for this fiscal year is \$242.4 billion, including \$235.8 billion under the *2009–2010 Main Estimates* and \$6.6 billion under the *Supplementary Estimates (A) 2009–2010*. This spending is consistent with the planned expenses of \$258.6 billion established in the January 2009 budget.

Mr. Pagan took the opportunity provided by his opening presentation to update Honourable Senators on the progress in *Budget 2009* implementation. Specifically, Canada’s Economic Action Plan introduced in *Budget 2009* provided for federal government spending of \$22.7 billion during fiscal year 2009-2010. Of this amount, \$10 billion was authorized with the passage of the first *Budget Implementation Act, 2009*. Another \$3.5 billion is accounted for by Notices of Ways and Means Motions associated with *Budget 2009*.³ Loan authorities in place as of March 10, 2009,⁴ account for an additional \$3.7 billion while a further \$1.8 billion was allocated to various departments through Treasury Board Vote 35 implemented with the *Main Estimates 2009-2010*. *Supplementary Estimates (A), 2009-2010* contain \$1.6 billion of Economic Action Plan initiatives. Approval of the requested appropriations would bring the total Economic Action Plan measures authorized to \$20.6 billion, leaving a further \$2.1 billion to be funded through Treasury Board Vote 35, which authority ends on June 30, 2009, or subsequent supplementary estimates.

B. Major Items in Budgetary Spending

Pages 10 to 14 of the *Supplementary Estimates (A), 2009–2010* contain an explanation of the major budgetary and non-budgetary spending (both voted and statutory) relating to the \$59.1 billion presented in these supplementary estimates. The list of significant items is provided below:

- I) Voted Budgetary Spending is forecasted to increase by \$5.0 billion and includes:
 - a. **Major initiatives affecting more than one organization (horizontal initiatives)**

³ These includes \$3.0 billion for the Home Renovation Tax Credit, \$175 million for the First Time Home Buyers’ Tax Credit and \$340 million for the Accelerated capital cost allowance for computers.

⁴ The loan authorities consist of \$2.7 billion to the auto industry and \$1.0 billion for low-cost loans to municipalities.

- Funding for the planning and operations related to policing and security of the 2010 Olympic and Paralympics Winter Games (\$349.2 million)
- Funding for the continuation of the Homelessness Partnering Strategy in order to promote strategic partnerships and structures, housing solutions and stable supports; and to assist homeless persons to move toward autonomy and self-sufficiency (\$131.5 million)

b. Major specific initiatives

- Funding to National Defense for the Afghanistan mission extension to ensure the safety and operational effectiveness of Canadian troops, for provision of basic infrastructure to support air enhancements, and for closeout expenses at mission end (\$822.0 million)
- Funding to Health to stabilize the Non-Insured Health Benefits program and primary care services and for a direct investment for construction and renovation of infrastructure for First Nations and Inuit health services (see Budget 2009) (\$188.6 million)
- Funding to Indian Affairs and Northern Development to support investments in First Nations infrastructure for school construction and water and wastewater projects (see Budget 2009) (\$177.5 million)
- Funding advanced to National Defence for major capital equipment projects (\$141.7 million)
- Funding to National Defence to acquire medium sized military trucks to transport troops and supplies (\$140.8 million)
- Funding to Public Works and Government Services for infrastructure projects such as restoration and improvements to accessibility of federally owned buildings, repairs to federal bridges and Public Works and Government Services' custodial assets, and a plan for the future of the Manège militaire in Quebec City (Budget 2009) (\$121.9 million)
- Funding to Natural Resources to support the ecoENERGY Retrofit – Homes (see Budget 2009) (\$117.2 million)
- Funding to Canadian Heritage to support production in the genres of drama, children's and youth, documentary as well as variety and performing arts (Canadian Television Fund) (see Budget 2009) (\$100 million)

II) Statutory Budgetary Spending is expected to increase by \$1.6 billion. Forecast changes of \$500 million or more are as follows:

- Funding to the Office of Infrastructure of Canada to support the Infrastructure Stimulus Fund in order to accelerate and increase the number of construction-ready provincial, territorial and municipal infrastructure projects (see Budget 2009) (\$1,980.7 million)

- Funding to Industry to accelerate repairs and maintenance at post-secondary institutions (Knowledge Infrastructure Program) (see Budget 2009) (\$500 million)
 - Revised forecast of transfer payments to provincial and territorial governments (decrease of \$905.5 million)
 - a) Payment to Ontario related to the Canada Health Transfer (increase of \$489.0 million)
 - b) Alternative Payments for Standing Programs (increase of \$299.8 million)
 - c) Transitional Adjustment Payment to Nova Scotia (increase of \$74.2 million)
 - d) Youth Allowances Recovery (increase of \$66.6 million)
 - e) Incentive for Provinces to Eliminate Taxes on Capital (increase of \$66.0 million)
 - f) Fiscal Equalization (decrease of \$1,901.1 million)
 - Revised forecast by Finance of public debt charges due to a significant downward revision in forecasted interest rates and lower than expected inflation (decrease of \$2,368.0 million)
- III) Voted non-budgetary spending is expected to increase by \$247.8 million and is attributable to funding to Finance for Canada's participation in the Global Trade Liquidity Program, a funded trade finance program.
- IV) Statutory non-budgetary spending is expected to increase by \$52.3 billion and is mainly attributable to funding to the Canada Mortgage and Housing Corporation (CMHC):
- Funding to stimulate housing construction through increased investments in insured mortgage pools under the Insured Mortgage Purchase Program (see Budget 2009) (\$50.0 billion)
 - Advances under the National Housing Act (\$1,226.8 million)
 - Funding to stimulate housing construction through low-cost loans to municipalities for improvements to housing-related and community infrastructure (see Budget 2009) (\$1,000.0 million)

C. Allocations from the Treasury Board Budget Implementation Vote

Budget 2009 called for timely government action in support of the Canadian economy and stated that measures must begin within the next 120 days to be most effective. While payments related to several of the Budget initiatives were authorized upon passage of the *Budget Implementation Act, 2009* in the Senate on March 12, 2009, some programs required funding through appropriations. To ensure that funds could flow quickly for these new initiatives, the government introduced in the *Main Estimates 2009–2010* a new central Vote (TB Vote 35) in the amount of \$3 billion, the Budget Implementation Vote. Funds from this central Vote will only be allocated between April 1, 2009, and the end of

June 2009 for expenditures on Budget-related programs approved by the Treasury Board. Between April 1 and April 30, 2009, \$1.8 billion has been allocated from the Budget Implementation Vote.⁵ Pages 77–83 describe which *Budget 2009* initiatives benefitted from these funds. The following table summarizes these initiatives as well as where, in the *Budget 2009* documents, they can be found.

Treasury Board Vote 35 allocations as of April 30, 2009

Department, Agency or Crown Corporation	Initiative	Amount (millions of \$)	Budget 2009 Reference
Environment – Parks Canada	Improvement and upgrades National Historic Sites	9.9	p. 177
	Trans-Canada Highway twining	2.1	p. 139
Health – Department	Health Facility and Capital program	10.0	p. 107
Health – Canadian Institutes of Health Research	Canada Graduate Scholarship program	6.9	p. 106
HRSDC – Department	Strategic Training and Transitional Fund	250.0	p. 101
	YM-YWCA	15.0	p. 102
	Canada Summer Job Program	4.0	p. 102
Industry – Department	Marquee Tourism Events Program	30.0	p. 177
	Canadian Youth Business Foundation	10.0	p. 181
	Knowledge Infrastructure Program	498.3	p. 138
	Rural Broadband Program	83.7	p. 139
	Recreational Infrastructure Canada Initiative	46.7	p. 146

⁵ As of May 31, 2009, the revised amount is \$1.9 billion.

Department, Agency or Crown Corporation	Initiative	Amount (millions of \$)	Budget 2009 Reference

Department, Agency or Crown Corporation	Initiative	Amount (millions of \$)	Budget 2009 Reference
Industry – Department	Modernizing Federal Laboratories	3.1	p. 139
Industry – Canadian Tourism Commission	Domestic Advertising and New Activities in Priority International Markets	20.0	p. 177
Industry – National Research Council of Canada	Industrial Research Assistance Program	76.0	p. 164
Industry - Natural Sciences and Engineering Research Council	Canada Graduate Scholarships Program	14.0	p. 106
	Industrial Research and Development Internship Program	2.5	p. 107
Industry - Social Sciences and Humanities Research Council	Canada Graduate Scholarships Program	7.0	p. 106
Canada Revenue Agency	Implementation of Budget 2009 Tax Measures	8.6	
Atlantic Canada Opportunities Agency – Department	Recreational Infrastructure Canada Initiative	4.5	p. 146
Economic Development Agency of Canada for the Regions of Quebec	Recreational Infrastructure Canada Initiative	20.0	p. 146
Western Economic Diversification	Canada Business Network	1.0	p. 181
	Recreational Infrastructure Canada Initiative	20.1	p. 146
Indian Affairs and Northern Development – Department	First Nations Child and Family Services Program	4.1	p. 95
Public Works and Government Services – Department	Budget 2009 Infrastructure Projects	100.0	p. 139

Department, Agency or Crown Corporation	Initiative	Amount (millions of \$)	Budget 2009 Reference
Transport – The Jacques Cartier and Champlain Bridges Incorporated	Champlain Bridge	4.3	p. 139
Transport – Canadian Air Transportation Security Authority	Aviation Security	155.7	p. 140
Transport – VIA Rail Canada Inc.	Railway Infrastructure	125.0	p. 139
Natural Resources – Department	Clean Energy Fund Program	10.0	p. 164
	EcoENERGY Retrofit – Homes	32.5	p. 131
	Canada’s Forest Sector Initiative	15.9	p. 162
Natural Resources – Atomic Energy of Canada Limited	Strengthening Canada’s Nuclear Advantage	222.0	p. 180

As emphasized by Mr. Pagan, to access funding for an initiative, a Treasury Board Submission must be prepared. This is a complex and somewhat lengthy process. Typically, Treasury Board Submissions for budget initiatives cannot be prepared in time for the tabling of *Main Estimates*. As such, funding for these initiatives come for the most part through *Supplementary Estimates (A)*. Considering the current economic climate, TB Vote 35 was established as a time limited mechanism that allows ministers to allocate funds to Treasury Board approved budget priorities in advance of the tabling of *Supplementary Estimates (A) 2009-2010*, where there was a demonstrated cash requirement. This allowed the government to start implementing budget measures quickly. This TB Vote 35 authority ends on June 30. Any funds that are not allocated by the end of June will simply be frozen; they will not be spent. After June 30, departments will receive their funding and their appropriation through the normal supply process with supplementary estimates in the fall and next winter. For example, if a department comes forward on July 10 for a requirement, ministers can approve the program, but they will not get money until they bring forward that requirement in *Supplementary Estimates (B), 2009-2010* in the fall. Finally, Mr. Pagan indicated to the committee that to maximize the transparency of budget items, each *Budget 2009* initiative that appears in these *Supplementary Estimates (A), 2009-2010* are separately identified in the section “explanation of requirements” for each department.

EXAMINATION OF THE SUPPLEMENTARY ESTIMATES (A), 2009-2010

During the committee's hearing on the *Supplementary Estimates (A), 2009-2010*, senators raised a variety of questions related to the budget implementation and planned spending as outlined above. Some of these are discussed below.

1. Sources of the increased deficit

In the week prior to Treasury Board's appearance in front of the committee, the Minister of Finance announced that the 2009-2010 budget deficit would be over \$50 billion, much larger than the \$34 billion announced in *Budget 2009*. There was interest on the part of some senators to understand what led to this upward revision to the deficit, in particular on the expenditure side. Mr. Pagan explained to the committee that he believes some of the increase in the deficit is generated by shortfalls in revenues as well as increased spending in statutory programs like Employment Insurance (EI). However, Mr. Pagan assured the committee that there had been no change to the expenditure plan under the responsibility of Treasury Board and detailed in *Budget 2009*. On the other hand, increases in statutory programs like EI do not come to Treasury Board for approval because there is existing enabling legislation that automatically drives those expenditure increases. Mr. Pagan also informed the committee that if there are material changes to the cost of statutory programs, they will appear in Supplementary Estimates (B) in the fall.

2. Home Renovation Tax Credit

When the attention of the committee turned to the Home Renovation Tax Credit (HRTC), there was a debate over the existence of the program and whether it was appropriate to advertise it while the program guidelines were not available. Some senators pointed out that the website of the Canada Revenue Agency provides a full description of the program. As to the question of its existence, Mr. Gérard Lalonde, Director, Tax Legislation Division, Tax Policy Branch, Department of Finance Canada, in his testimony on March 31, 2009, acknowledged that the HRTC was not implemented by the first *Budget Implementation Act, 2009*. On the other hand, he noted that it was included in the Ways and Means Motion that accompanied *Budget 2009*, which was subsequently adopted. This means that since Standing Order 83. (4) of the House of Commons states that:

The adoption of any Ways and Means motion shall be an order to bring in a bill or bills based on the provisions of any such motion or to propose an amendment or amendments to a bill then before the House, provided that such amendment or amendments are otherwise admissible.

The committee should be assured that a bill will come through the House of Commons that will lead to the official creation of the tax credit. In fact, Mr. Lalonde indicated that it will come through the second *Budget Implementation Act, 2009*. Given the approval of the Ways and Means motion accompanying *Budget 2009*, there was, in his view, no urgency to pass it in the first *Budget Implementation Act, 2009* since it will appear on income tax returns for the year 2009, which are not due until April 30, 2010.

3. Knowledge Infrastructure Program

Some members of the committee were interested in the Knowledge Infrastructure Program (KIP), for which the Department of Industry received a \$498 million allocation from TB Vote 35. In particular, they were interested in how this money would be allocated to provinces and institutions. Mr. Pagan informed the committee that the terms of the KIP were approved on April 23, 2009, and that the call for proposals was issued early in March. The first successful negotiations were with British Columbia on April 8, 2009, wherein the federal government invested \$202 million, leveraging \$252 million in provincial and other funding, of which \$79.1 million was for colleges and \$132 million was for universities. On April 30, announcements were made for a \$56.7 million federal investment in colleges and universities in Nova Scotia while the month of June should see announcements for Alberta and Manitoba. Between May 25, 2009, and May 29, 2009, the Governments of Canada and Ontario announced almost \$1.5 billion of investment in some 50 projects for Ontario's colleges and universities.

4. Trafficking in Women and Children

With the federal government involved in the operations related to policing and security at the Vancouver 2010 Winter Olympics, some senators inquired about what was done by the Government of Canada to prevent trafficking in women and children, an issue that often plagues major international sport events. It proved difficult for witnesses to provide detailed answers on this topic. As Mr. Pagan mentioned, the details would likely not be available for security reasons. For his part, Colonel Giguère informed the committee that the Department of National Defence takes part in the Olympics only in support of the Royal Canadian Mounted Police (RCMP), and that the latter was the lead organization for security. As such, questions related to this issue would likely be better answered by them.

5. National Defence's Capital Spending

The committee held some discussions about the evolution of capital spending by the Department of National Defence over recent years. First, Rear-Admiral Weadon indicated to the committee that National Defence expects to spend between \$4 and \$4.5 billion dollars annually for major accrual projects, which are the post-2005 projects.⁶ This comprises capital and infrastructure projects. He also indicated that since *Budget 2005*, the amount spent on capital expenditures has increased substantially. Rear-Admiral Weadon quickly acknowledged that this represented a substantial amount of money, although he would not make a direct inference between the increase in capital spending and the war in Afghanistan. For his part, Mr. Jacobson mentioned that part of the increase is simply related to the modernizing of the equipment required by Canadian troops to intervene anywhere in the world.

Some senators then wondered what National Defence did to respond to the Auditor General's critique that as late as 2004, the department could not ensure that the right

⁶ 2005 was the year in which accrual accounting was introduced at the Department of National Defence.

people with the right skills were available for major equipment projects. To this, Rear-Admiral Weadon answered

Since 2003-04, we have invested significant additional money in hiring financial personnel to manage our budget as the budget grows. We have implemented some mandatory training for all people that are actually responsible for exercising the provisions of the Financial Administration Act — sections 32, 33 and 34. In fact, we were ahead of many other departments in town in doing that.

We have a very tight process around the management in year of money, which has enabled us, over the last five or six years — with the exception of 2007-08 — to be able to close the year within the \$200 million carry-forward limit that we have.

On April 1, 2009, in accordance with the policy from Treasury Board around financial management, I have been formally appointed as the Chief Financial Officer of the department. We have instituted a Defence Finance Committee, chaired by the deputy minister, where all major changes in program are brought forward for consideration, as well as the allocations and the quarterly summaries.

When asked if the Department of National Defence was satisfied that the proper steps had been taken then to ensure the capital spending is done well, Mr. Jacobson answered that he was satisfied that the department was taking the proper steps, but it would take three to four years for them to be fully satisfied that they were answering the Auditor General's critique in a satisfactory manner.

6. Procurement at National Defence

Given the overall size of the budget of the Department of National Defence, the committee showed a substantial interest in the question of procurement. On the specific subject of the tender process, Mr. Jacobson informed the committee that the timing of the tendering and the type of tendering depends very much on the type of policy approval National Defence receives from Cabinet. Some committee members expressed concerns over the fact that when it comes to contracting services, there seemed to be only one firm interested, SNC-Lavalin. Rear-Admiral Weadon informed the committee that there are two main types of contracting. One is the contracting for the support that is being provided in Afghanistan. This includes items like accommodation, meals, infrastructure and support services, which is the direct support in theatre. Some of it is actually contracted through NATO. Instead of using Public Works, effectively NATO becomes the contracting agency. Often, that contractor will support all NATO nations. Rear-Admiral Weadon pointed out to the committee that Canadian firms have been successful in winning some of the contracts that NATO has tendered. The main benefits of using NATO services comes from the fact that economies of scale brings the cost per person down, which helps to control costs.

When questioned about procurements without a competitive process, Mr. Jacobson indicated that

It could go without a competitive process if it is a relatively minor amount. If that amount is exceeded, you would need to get additional permissions and approvals when you are in a situation where it was in the public interest, you were in an emergency or urgent situation or there was only one supplier such as with intellectual property in which you had to go forward on a sole source basis.

Rear-Admiral Weadon further indicated to the committee that each transaction within the Department of National Defence is audited by the Chief of Review Services, the internal auditor of the department, who works collaboratively with the Auditor General. When questioned on the subject, Mr. Jacobson indicated that in any case, the vast majority of projects are competitively bid upon, as opposed to sole sourced. On a different note, he indicated to senators that a major accomplishment of National Defence has been to reduce the time needed to make major procurements by 70 per cent, which is beneficial for the soldiers on the field and the Canadian public more generally. The presence of new C-17 tactical airlifters in support of Canadian troops in Afghanistan is a good example of such benefits

7. War in Afghanistan

In *Main Estimates 2009-2010*, an appropriation of \$554 million was required in support of the Canadian mission in Afghanistan. In *Supplementary Estimates (A), 2009-2010*, the department of National Defence asked for an additional appropriation of \$822 million. Some members of the committee asked why the full amounts needed for the fiscal year 2009-2010 were not included in the *Main Estimates 2009-2010*. Rear-Admiral Weadon informed senators that in fact, at the time of *Main Estimates 2009-2010*, the Department of National Defence's forecast of the cost for the year was \$1.5 billion. However, to obtain the funds through *Main Estimates*, policy approval by the relevant Cabinet committee and approval by Treasury Board with respect to allocation of the funds must be obtained by the first of October of the previous year. As such, the Department of National Defence had been able to obtain the approval for the first \$550 million of the forecasted \$1.5 billion in time for the *Main Estimates 2009-2010* but the approval for the other \$822 million was obtained only late in the fall, so it was relegated to *Supplementary Estimates, (A), 2009-2010*. On the other hand, Rear-Admiral Weadon also indicated that as they were working to obtain the necessary approvals, they also sought approval for the amounts required in fiscal years 2010-2011 and 2011-2012. As such, unless there is a change in the Afghanistan mission, most of the funding for the war for fiscal year 2010-2011 should be included in the *Main Estimates 2010-2011*. This brought up further questions from some committee members, as they indicated that nothing had changed in the mission between fiscal year 2008-2009 and fiscal year 2009-2010. As such, the aforementioned approvals should have already been in place. To this, Rear-Admiral Weadon answered that

We had policy approval for a mission up until February 2009, and we had all the necessary Treasury Board approvals in place...

... We had policy approval in 2008-09 to extend the mission beyond February 2009, but in order to get the necessary planning done so when we go to Treasury Board we can say this is exactly the equipment that will remain in theatre, these are the assets that will be there, these are the people who will be there, and what the role would be, because there was some change to the focus of the mission with February 2009. We had to build that Treasury Board submission and go and get Treasury Board approval. We were not in a position to complete that work as a department until the fall time frame.

Some committee members were also interested in procedures and monies set aside to train and implement the United Nations Security Council Resolution 1325 on Women, Peace and Security with Canadian Forces and Afghans in Afghanistan. The answer was not known at this time.

8. Canada Youth Business Foundation

Some senators were interested in learning more about the Canada Youth Business Foundation (CYBF), a foundation created in 1996. Mr. Pagan indicated to the committee that this program provides loans to young entrepreneurs, applications for which have increased by 68 per cent over the past year due to the overall tightening of the credit market. This is a granting program in which the federal government committed \$10 million in *Budget 2009*. When asked about the take out rate, Mr. Pagan was not able to provide an exact figure. On the other hand, he indicated that the money had been allocated and re-emphasized that the application for the program was up substantially relative to previous years.

9. Administration costs charged to the EI account

In *Supplementary Estimates (A) 2009-2010*, Human Resources and Skills Development Canada (HRSDC) requires from the Consolidated Revenue Funds (CRF) an amount of \$59.7 million to compensate for the reduction in administrative costs charged to the EI account. Some senators asked for more details on this item. Ms. Dazé explained to the committee that some HRSDC employees work on all three “accounts”: fulfilling the department’s mandate, providing Canada Pension Plan (CPP) programs and providing Employment Insurance (EI) programs. The cost of providing CPP programs are charged to the Canada Pensions Plan, the cost of providing EI programs is charged to the EI accounts and the cost of fulfilling HRSDC’s mandate is charged to the Consolidated Revenue Funds. For those employees working on all three accounts, part of these employees’ time must be charged to the CPP account, part of it must be charged to the EI account and part of it must be charged to the Consolidated Revenue Fund. How much to charge each of the three accounts is determined by a complex formula which is subject to a review process over time. While proceeding with this review, it was found that HRSDC had been overcharging the EI account an amount of \$59.7 million. This cost should have been charged to the Consolidated Revenue Fund. Since the department can no longer charge these administration costs to the EI account, it must cover them through an equivalent appropriation from the Consolidated Revenue Fund. This is essentially an

accounting procedure required to faithfully represent the accounts of the Government of Canada. On net, total funding to HRSDC arising from this accounting procedure remains unchanged.

On a related issue, some senators questioned the officials from HRSDC on the \$60 million the Minister announced for solving the backlog in processing EI requests. Specifically, they were wondering why it did not seem to appear in these *Supplementary Estimates (A), 2009-2010*. Ms. Binette informed the committee that HRSDC recently hired 1200 people to process EI applications, some of them recent retirees. They are paid using the \$60 million amount which is charged to the EI account since the new employees work exclusively on EI programs. As such, the amount does not appear in *Supplementary Estimates (A), 2009-2010* because the money is not appropriated from the Consolidated Revenue Fund. This, on the other hand, increases the total budget allocated to HRSDC by \$60 million.

10. Training and Shortages of skilled trades

With the growing number of unemployed and the significant changes in the structure of the Canadian economy, the committee showed much interest in the issues of training for employees and shortages of skilled trades. First, some senators asked if the department of Human Resources and Skills Development Canada (HRSDC) had studied which areas of the labour market Canada had labour shortages in and what type of qualifications would be required to fill these shortages. They were worried that Canada might be training workers in areas for which the demand for labour would be very low and the newly trained workers would end up unemployed. The officials from HRSDC informed the committee that it was very difficult to forecast the future demand for labour, although when one looks at the demographics that the country faces in certain occupations, it was relatively easy to foresee labour shortages in some sectors. Moreover, they mentioned that many of the training programs are provided through provincial governments because they can better identify labour needs locally. This helps in improving the effectiveness of the various training programs.

With respect to training itself, some committee members wanted to obtain more details on the \$40 million appropriation required by HRSDC for the apprenticeship completion program. Officials from the department explained that this is a new grant, announced in *Budget 2009*, which complements an existing incentive grant designed to attract young people to undertake careers in the skilled trades. Both incentive grants are intended to increase access to the skilled trades and registered apprentices in any of the designated *Red Seal* trades⁷ are now eligible to receive up to \$4,000 over the period of their apprenticeship training. The pre-existing grant allows apprentices to receive up to \$2000 upon completion of the first two years/levels of an apprenticeship program in one of the red seal trades. The apprenticeship completion program will allow them to receive a

⁷ The *Red Seal* Program is a partnership between the provincial, territorial and federal governments created to foster skilled workers mobility across Canada by encouraging the standardization of training and certification programs. *Red Seal* certified workers can work anywhere in Canada where their trade is designated as a *Red Seal* trade.

further \$2000 upon completion of the program. HRSDC's current estimate is that 20,000 apprentices will qualify for this new grant.

Certain senators wondered if HRSDC had special programs whereas they would target people who recently retired from the military to help alleviate the skill shortages mentioned above, given that they often already possess the type of expertise that Canada is looking for. To this, Mr. Thompson answered

On some of the specific points, there were the final stages of what was known as the Trades and Apprenticeship Strategy, which is multi-year strategy to take a number of projects in the trades area. One of the projects in that strategy was, indeed, what you are referring to: Looking at mapping trades within the military into the existing red seal structure, looking at how the competencies map, where the gaps are and what would be needed to facilitate a smooth transfer out of military into civilian trades.

They are progressively making their way through all the different trades in the military to have comprehensive coverage. That project is still underway. They have made a lot of headway, though.

In addition, the committee asked for more details about the Foreign Credential Recognition program, for which HRSDC asked for an appropriation of \$17.2 million. Mr. Thompson informed senators that this program is a joint effort with provinces and territories to come up with standards and principles to guide the way in which foreign credentials are recognized. This is with a view to making that recognition timelier and trying to get more information to people before their arrival in Canada on the process they would go through to recognize those credentials. There are linkages to the labour force priorities in identifying those occupations in the highest demand and where we need to put the biggest focus to recognize those credentials. Mr. Thompson also informed the committee that this work was commissioned by first ministers and they asked that this project be brought to them by September. He further stated that provincial and federal officials working on this project were on track to meeting this deadline.

11. Gender-based analysis

The committee has an on-going interest in the gender-based analysis of the various measures for which appropriations are required. In relation to this issue, Mr. Pagan informed the committee that in the past, Treasury Board addressed some questions about gender equality and the approval of projects. In particular, he mentioned that Treasury Board guidelines for the submission and approval of programs require departments to undertake gender analysis and that there is no differentiation between an individual and horizontal project. Officials from the Canada Mortgage and Housing Corporation (CMHC) indicated to the committee that the question of gender-based analysis is a difficult one for them for several reasons. First, many of the federal programs managed by the CMHC and related to social housing are done collaboratively with provinces, with the latter being the ultimate provider of social housing. As such, it is difficult to obtain the appropriate data for analysis, at least in relation to already existing programs. As emphasized by Ms. Matthews,

It would be difficult to collect the information. In delivering these programs we have signed agreements with all the various provinces and territories. Within those agreements you work hard to limit the requirements you place on them so they have the flexibility they need locally to design what they think they need to serve the community. Therefore, we try to keep it as streamlined as possible so it is as efficient as possible. Whether a province or territory would voluntarily agree at this point to provide additional information, I suspect they would not be in a position to collect it either, in most cases.

For example, Ontario we will have signed an agreement with the province, but the province will then turn and work with service managers in all sorts of different communities across Ontario. Gathering that information will depend on what is available and what the arrangements are in the communities.

On the other hand, Ms. Matthews informed the committee that for programs to be developed in the future, it would be possible to include, in the agreements with the various partners, provisions for data collection.

For their part, officials from Human Resources and Skills Development Canada (HRSDC) mentioned that the gender-based analysis for the programs requiring funding in these *Supplementary Estimates (A), 2009-2010*, which are all pre-existing programs, would have been done at the time of the creation of the programs. On the other hand, given the availability of labour market data at HRSDC, the officials indicated that they have a fairly good idea of the areas where the department makes progress and where more work is required, at least in terms of labour market outcomes. They cited in example the Aboriginal Human Resource Development Strategy, where recent information showed that the client base was pretty much 50-50 in terms of men and women. They were being served equally and there is an active child care component in that program, which is an important part that responded to earlier gender analysis in terms of overcoming barriers to entering the labour market. When asked how such data is used to influence the development of future policy, Mr. Thompson said

That would certainly be part of the core of the analysis of the program, whether through the program evaluation in terms of effectiveness or if there were gender gaps that emerged relative to the original objectives of the program. Those would be flagged and feed into our redesign. Strategies would be developed to try to address the shortcomings in that regard.

12. Appropriations for measures included in the first Budget Implementation Act 2009

There are some circumstances in these *Supplementary Estimates (A) 2009-2010* where it appears that some departments are requiring appropriations for money under programs that were already authorized under the first *Budget Implementation Act, 2009*. One such example is with respect to the Renovation and Retrofit of Existing Social Housing Initiative (2009). *Budget 2009* announced a \$1 billion over two years initiative for renovation and energy retrofit of social housing. That amounts to \$500 million per

year. In the first *Budget Implementation Act*, Parliament approved \$500 million for this initiative.⁸ The wording of the clause was

312. There may be paid out of the Consolidated Revenue Fund, on the requisition of the Minister of Human Resources and Skills Development, in accordance with terms and conditions approved by the Treasury Board, a sum not exceeding five hundred million dollars to the Canada Mortgage and Housing Corporation to provide funding to the provinces and territories to address the backlog in demand for renovation and energy retrofits of social housing.

Yet, in *Supplementary Estimates (A), 2009-2010*, the Canada Mortgage and Housing Corporation (CMHC) requires an appropriation of \$75 million for that initiative and indicates a statutory appropriation of \$425 million for the same initiative. This begs the question as to why CMHC required this money when it was already approved by Parliament. Additional discussions with officials from Treasury Board Secretariat indicate that in some cases, the wording of the clause in the first *Budget Implementation Act, 2009* might be too narrow. The case of CMHC serves as a good example. Through CMHC, the federal government provides approximately \$1.7 B in ongoing subsidies for 630,000 social housing units across Canada. Most of the funding flows through long-term agreements with provinces and territories, with the exception of three provinces where CMHC directly manages the social housing stock in the absence of agreements. However, the wording in the *Budget Implementation Act* was specific that funding would flow through provinces and territories. As such, CMHC could not access the funds provided by the first *Budget Implementation Act, 2009* to meet its responsibilities with respect to social housing for those provinces without agreements. Consequently, it required \$75 million to meet those responsibilities for provinces without long-term agreements and used \$425 million of the spending authority provided by the *Budget Implementation Act* to meet its responsibilities in the other provinces and territories. Given the severe recession hitting the world economy, and the need to draft legislation expeditiously to implement budget measures rapidly, the likelihood of such mistakes was higher than in normal times. This has been publicly recognized by the Government of Canada on numerous occasions in recent months. It is therefore possible that such a situation may arise again in upcoming supplementary estimates. This is something the committee will monitor carefully.

CONCLUSION

During its hearings on the *Supplementary Estimates (A), 2009-2010*, the committee deliberated on these and other matters. In some circumstances, witnesses committed to following-up on their answers at a later date. At the time of writing this report, the various answers had not yet been received by the committee.

The Standing Senate Committee on National Finance, to which were referred the *Supplementary Estimates (A), 2009-2010*, has examined the said Estimates and herewith submits its report.

⁸ This was under clause 312 of bill C-10.