



**REPORT ON THE
*SUPPLEMENTARY ESTIMATES (B), 2014-15***

Standing Senate Committee on National Finance

THIRTEENTH REPORT

Chair

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Deputy Chair

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TABLE OF CONTENTS

	PAGE
1 INTRODUCTION.....	1
2 OVERVIEW OF THE <i>SUPPLEMENTARY ESTIMATES (B), 2014–15</i>	2
3 STUDY OF THE <i>SUPPLEMENTARY ESTIMATES (B), 2014–15</i>	3
3.1 Treasury Board of Canada Secretariat	3
3.1.1 Comparison of Estimates	3
3.1.2 Administrative Tribunals Support Service of Canada.....	3
3.1.3 Major Voted Items	4
3.1.4 Horizontal Items.....	5
3.1.5 Statutory Forecasts	5
3.1.6 Transfers from the Treasury Board Secretariat of Canada to Other Federal Organizations	6
3.2 Public Works and Government Services Canada.....	6
3.2.1 Budget Estimates	6
3.2.2 Budget Savings	7
3.2.3 Main Responsibilities.....	7
3.2.4 Defence Procurement Strategy	8
3.2.5 Build in Canada Innovation Program.....	8
3.2.6 Payments to Subcontractors	8
3.3 Department of National Defence.....	8
3.3.1 Budget Estimates	9
3.3.2 Canada First Defence Strategy	9
3.3.3 Federal Contaminated Sites	9
3.3.4 Canadian Forces Service Income Security Insurance Plan – Long-Term Disability	10
3.4 Transport Canada	10
3.4.1 A Safe and Secure Transportation System	10
3.4.2 Budget Estimates	10
3.4.3 Replacement of the MV Princess of Acadia	11
3.4.4 Ferry Services Contribution Program	11
3.4.5 Reinvestment of Revenues from the Sale of Real Property.....	11
3.4.6 Ocean Networks Canada – Smart Oceans Contribution Program.....	11
3.4.7 Construction of a new Champlain Bridge	12
3.4.8 Recruitment and Retention of Highly Specialized Employees	12
3.5 Indian Affairs and Northern Development Canada	12
3.5.1 Budget Estimates	12
3.5.2 Flooding in Manitoba's Interlake Region	13
3.5.3 Canadian High Arctic Research Station	13
3.5.4 Indian Residential Schools Settlement Agreement	13

3.5.5	Aboriginal Participation in West Coast Energy Development	13
3.5.6	Indian Residential Schools Truth and Reconciliation Commission	13
3.5.7	Implementation of Comprehensive Land Claims Agreements in Yukon, Northwest Territories and Quebec	13
3.5.8	Transfers between Indian Affairs and Northern Development Canada and Other Federal Departments	14
3.5.9	Total Funding for First Nations and Inuit Communities	14
3.5.10	Smaller Initiatives	14
3.6	Fisheries and Oceans Canada	14
3.6.1	Budget Estimates	14
3.6.2	Renewal of Pacific and Atlantic Integrated Commercial Fisheries Initiatives.....	15
3.6.3	Small Craft Harbours Program for Repair and Maintenance Work.....	15
3.6.4	Recreational Fisheries Conservation Partnerships Program	15
3.6.5	Renewal of the Canadian Coast Guard Fleet.....	15
3.6.6	Light-lift Helicopters	16

1 INTRODUCTION

The [*Supplementary Estimates \(B\), 2014–15*](#) were tabled in Parliament on 5 November 2014. They are the second supplementary estimates for the fiscal year ending 31 March 2015. The first, [*Supplementary Estimates \(A\), 2014–15*](#), were tabled on 14 May 2014. The supplementary estimates (B) identify the spending authorities and amounts to be included in subsequent appropriations.

For its study of the *Supplementary Estimates (B), 2014–15*, the Standing Senate Committee on National Finance (the Committee) met with officials from six departments over the course of two meetings in November 2014.

On 18 November 2014, the Committee heard from the following officials from the Treasury Board of Canada Secretariat, Public Works and Government Services Canada, and the Department of National Defence:

Treasury Board of Canada Secretariat

Bill Matthews, Comptroller General of Canada

Marcia Santiago, Executive Director, Expenditure Management Sector

Public Works and Government Services Canada

Alex Lakroni, Chief Financial Officer, Finance and Administration Branch

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

Nancy Chahwan, Assistant Deputy Minister, Parliamentary Precinct Branch

Department of National Defence

Kevin Lindsey, Assistant Deputy Minister and Chief Financial Officer

Rear-Admiral Patrick Finn, Chief of Staff, Materiel Group

Captain (Navy) Jeff Zwick, Acting Chief of Program

On 19 November 2014, the Committee welcomed the following officials from Transport Canada, Indian Affairs and Northern Development Canada, and Fisheries and Oceans Canada:

Transport Canada

André Lapointe, Assistant Deputy Minister, Corporate Services and Chief Financial Officer

Indian Affairs and Northern Development Canada

Scott Stevenson, Senior Assistant Deputy Minister, Regional Operations

Paul Thoppil, Chief Financial Officer

Stephen Van Dine, Director General, Northern Strategic Policy Branch

Fisheries and Oceans Canada

Marty Muldoon, Assistant Deputy Minister and Chief Financial Officer

Kevin Stringer, Senior Assistant Deputy Minister, Ecosystems and Fisheries Management

Michel Vermette, Deputy Commissioner, Vessel Procurement

2 OVERVIEW OF THE *SUPPLEMENTARY ESTIMATES (B), 2014–15*

In the estimates documents, planned spending is allocated between budgetary and non-budgetary expenditures and divided into two categories: voted appropriations and statutory expenditures.¹ According to the Treasury Board of Canada Secretariat, 63 organizations have identified additional requirements as part of the *Supplementary Estimates (B), 2014–15*.

As shown in Table 1, the *Supplementary Estimates (B), 2014–15* provide information in support of \$2.9 billion in voted appropriations, which represents an increase of 3.3% over the [Main Estimates, 2014–15](#). In addition, information is provided in relation to statutory budgetary expenditures of \$327.9 million included in these estimates, which represent an increase of 0.2% over the main estimates. The Committee has also learned that two symbolic amounts of one dollar presented as non-budgetary expenditures are related to changes in vote wording.

Table 1 – *Supplementary and Main Estimates, 2014–15* (\$)

	2013–2014	2014–2015			
	Estimates	Main Estimates	Supp. Estimates (A)	Supp. Estimates (B)	Proposed Authorities To Date
Budgetary					
Voted	93,935,334,459	86,282,034,901	2,410,900,361	2,873,981,951	92,174,964,571
Statutory	145,159,468,186	149,052,339,774	11,430,672	327,910,181	149,422,024,918
Total	239,094,802,645	235,334,374,675	2,422,331,033	3,201,892,132	241,596,989,489
Non-Budgetary					
Voted	71,103,004	26,703,003	44,400,000	2	71,103,005
Statutory	(41,024,336,315)	(10,050,344,221)	–	–	(10,050,344,221)
Total	(40,953,233,311)	(10,023,641,218)	44,400,000	2	(9,979,241,216)

Source: Table prepared based on data from Treasury Board of Canada Secretariat, [Supplementary Estimates \(B\), 2014–15](#), p. I-3.

¹ **Budgetary expenditures** include the cost of servicing the public debt; operating and capital expenditures; transfer payments and grants to other levels of government, organizations or individuals; and payments to Crown corporations. **Non-budgetary expenditures** (loans, investments and advances) are outlays that represent changes in the composition of the financial assets of the Government of Canada. **Voted appropriations** are those for which parliamentary authority is sought through an appropriation bill, and **statutory expenditures** are those that are authorized by Parliament through enabling legislation and for which forecasts are provided for information purposes only.

3 STUDY OF THE *SUPPLEMENTARY ESTIMATES (B), 2014–15*

3.1 Treasury Board of Canada Secretariat

The officials from the Treasury Board of Canada Secretariat discussed proposed authorities, the newly created Administrative Tribunals Support Service of Canada, major voted items, horizontal items, statutory forecasts and transfers from the Treasury Board of Canada Secretariat to other federal departments and agencies.

3.1.1 Comparison of Estimates

The officials compared the *Supplementary Estimates (B), 2014–15* to the corresponding documents for fiscal years 2013–2014 and 2012–2013, and explained that the supplementary estimates (B) are usually the largest of the three supplementary estimates produced in a fiscal year. They pointed out that voted spending is lower in these supplementary estimates than in the previous two, largely because economic action plans are winding down and other reductions are being introduced. The Committee also learned that voted items in the *Supplementary Estimates (B), 2013–14* were unusually high owing to disaster financial assistance, the settlement of the *Manuge* class action lawsuit and other out-of-court settlements. As a result, the current supplementary estimates are more representative of the amounts usually requested.

Statutory expenditures have increased compared with the two previous supplementary estimates (B), primarily because of increases to seniors' benefits such as Old Age Security and to the Canada Health Transfer.

In summary, the *Supplementary Estimates (B), 2014–15* are higher than those for the previous two fiscal years because the increase in statutory expenditures more than offsets the decrease in voted expenditures.

3.1.2 Administrative Tribunals Support Service of Canada

The Committee learned that the *Supplementary Estimates (B), 2014–15* include a new agency: the Administrative Tribunals Support Service of Canada. A symbolic one-dollar item is shown for this agency under Vote 2b – Program expenditures. This amount represents funding to authorize the inclusion and adjustment of an authority embedded in vote wording. The officials reminded the Committee that a symbolic amount of one dollar is assigned to this type of change in order for it to be included the estimates.

The Administrative Tribunals Support Service of Canada will be responsible for providing support services to the following 11 federal administrative tribunals:

- Canada Agricultural Review Tribunal (its legal name is the Review Tribunal);
- Canadian Industrial Relations Board;
- Canadian Cultural Property Export Review Board;
- Canadian Human Rights Tribunal;
- Canadian International Trade Tribunal;
- Competition Tribunal;

- Public Servants Disclosure Protection Tribunal;
- Specific Claims Tribunal;
- Social Security Tribunal;
- Transportation Appeal Tribunal of Canada;
- Public Service Labour Relations and Employment Board.

3.1.3 Major Voted Items

The officials discussed the major voted items in the *Supplementary Estimates (B), 2014–15*:

- \$652.2 million for the Department of National Defence for the sustainment and operational readiness of the Canadian Armed Forces, in support of the ongoing implementation of the *Canada First Defence Strategy*;
- \$190.0 million for the Department of National Defence to strengthen the Canadian Forces Service Income Security Insurance Plan – Long-Term Disability components;
- \$151.7 million for the Treasury Board Secretariat to transfer funds to federal departments and agencies for salary adjustments. This amount covers retroactive compensation adjustments for 2013–2014 and is divided between the core public service (approximately \$112 million) and government agencies (approximately \$40 million);
- \$148.6 million for Via Rail Canada Inc. to address operating and capital requirements. This funding will support the rebuilding and enhancement of passenger cars, new signalling systems, track enhancements, station repairs and information technology projects;
- \$136.2 million for Public Works and Government Services for increases in non-discretionary expenses associated with Crown-owned buildings and leased space;
- \$84.6 million for the Canadian Air Transport Security Authority to implement enhanced Non-Passenger Screening;
- \$80.2 million for 9 organizations² in order to assess, manage and remediate federal contaminated sites. The officials stated that federal environmental liability for contaminated sites is close to \$11.0 billion according to the Public Accounts of Canada;
- \$78.8 million for Fisheries and Oceans Canada for investments in the Canadian Coast Guard's fleet renewal under the National Shipbuilding Procurement Strategy. The funds will be used primarily to support the following activities: design and engineering work for non-combat vessels; the Vancouver Shipyards, where the non-combat vessels will be built; and refit of the Louis S. St. Laurent icebreaker;
- \$75.9 million for Transport Canada to replace the MV *Princess of Acadia*, which provides ferry services between St. John, New Brunswick, and Digby, Nova Scotia, as announced in the 2013 federal budget;
- \$65.0 million for Canadian Heritage to provide funding to the Toronto Community Foundation for the Toronto 2015 Sport Legacy Fund, established as part of the PanAmerican and Parapan American Games to be held in Toronto;

² Agriculture and Agri-Food Canada, Correctional Service of Canada, Environment Canada, Fisheries and Oceans Canada, National Capital Commission, Department of National Defence, Parks Canada Agency, The Jacques-Cartier and Champlain Bridges Inc., and Transport Canada.

- \$57.6 million to the Parks Canada Agency to improve highways, bridges and dams in national parks and along historic canals, as announced in the 2014 federal budget.

3.1.4 Horizontal Items

Officials from the Treasury Board Secretariat then presented the 14 horizontal items³ in the *Supplementary Estimates (B), 2014–15*. A horizontal initiative is one in which at least two organizations have agreed to work together to achieve shared outcomes and have established a formal funding agreement such as a Memorandum to Cabinet, Treasury Board submission or federal-provincial agreement:

- \$80.2 million for the assessment, management and remediation of federal contaminated sites;
- \$23.1 million for renewal of the First Nations Water and Wastewater Action Plan;
- \$6.7 million for comprehensive claims and self-government negotiations across Canada;
- \$51.5 million for the planning, design, development and testing of questions, systems and processes for the 2016 Census of Population;
- \$31.8 million for the National Conservation Plan;
- \$26.2 million to define the outer limits of Canada's continental shelf in the Arctic Ocean;
- \$21.4 million for government advertising programs;
- \$20.3 million for the Centres of Excellence for Commercialization and Research Program;
- \$19.9 million for the renewal of the Genomics Research and Development Initiative;
- \$16.3 million for the revitalization of Canada's Weather Services;
- \$15.9 million for the implementation and administration of various tax measures announced in the 2013 federal budget and the administration of the Harmonized Sales Tax and the Harmonized Sales Tax Credit in Prince Edward Island;
- \$14.9 million for a new preventive food safety program for fresh fruit and vegetables, as well as for enhanced oversight of fish and seafood, and manufactured food products, as set out in the 2014 federal budget;
- \$14.7 million to facilitate Aboriginal participation in West Coast energy development;
- \$4.2 million for the Canada Excellence Research Chairs Program, which supports research and innovation in Canadian universities.

In response to a question by a Committee member, the officials explained that if a department does not spend the funds allocated for a horizontal item in a given fiscal year and requires funding for the same item in the next fiscal year, the department must seek parliamentary approval again.

3.1.5 Statutory Forecasts

The Committee was informed of the major increases and decreases in statutory expenditures in the *Supplementary Estimates (B), 2014–15*. The main increases are as follows:

³ For the names of the departments and agencies and their respective funding allocations for each horizontal item, see Treasury Board Secretariat of Canada, [Supplementary Estimates \(B\), 2014–15](#), p. I-15 to p. I-21.

- \$441.6 million for Finance Canada to make direct payments to the International Development Association rather than following the previous practice of issuing demand notes. Demand notes are a form of low- or no-interest financing for the world's poorest countries;
- \$115.8 million for Finance Canada to establish a Canadian Securities Regulation Regime and Canadian Regulatory Authority.

The main decreases are as follows:

- \$329.7 million for Finance Canada related to interest charges resulting from low interest rates;
- \$80.0 million for the Canada Revenue Agency related to provincial payments under the *Softwood Lumber Products Export Charge Act, 2006*.

The Committee learned that the decrease of \$80.0 million is due to the strength of the U.S. housing market. If the price of softwood lumber is about \$355 per thousand board-feet, no payments are forecasted. However payments to the provinces are usually required when the price drops below that figure. Based on the forecast for the U.S. housing market, the price is expected to be at least \$355 per thousand board-feet.

3.1.6 Transfers from the Treasury Board Secretariat of Canada to Other Federal Organizations

The Committee was interested in three transfers from the Treasury Board Secretariat of Canada to other federal agencies. One Committee member asked why funds are transferred rather than having the agency responsible request an increased appropriation. As the officials explained, when a new initiative is developed, funding is allocated to the department that will administer the initiative. However, a transfer takes place when there is an agreement with the original department that another department or agency is better suited to manage the initiative, as is the case with the transfer of \$88,117 from the Treasury Board Secretariat to the Canada School of Public Service for the Federal Youth Network. If the Canada School of Public Service is to manage the network on an ongoing basis, the main estimates will show the funds residing with the School rather than the Treasury Board Secretariat.

3.2 Public Works and Government Services Canada

Public Works and Government Services Canada officials discussed their estimates for the current year when they appeared before the Committee. They also discussed budget savings within the department, the main responsibilities of their department, the defence procurement strategy, the Build in Canada Innovation Program and payments to subcontractors.

3.2.1 Budget Estimates

The Committee heard that, through the *Supplementary Estimates (B), 2014–15*, Public Works and Government Services Canada is requesting an additional \$136.3 million to meet requirements from Crown-owned buildings and leased space. This further amount is divided as follows:

- \$80.0 million to provide stable funding for the fit-up of the department's accommodation portfolio. With this additional amount, the fit-up budget will increase from \$105.0 million to \$185.0 million;
- \$31.0 million to provide stable funding for the department's office space inventory. This funding seeks to meet the accommodation requirements of approved government programs; and

- \$25.2 million to cover the cost of inflation, which includes the increasing cost of utilities, security, rent and property taxes, associated with the department's real property portfolio. The Committee was told that the inflation rate for 2014–2015 is estimated at 1.6% on the department's operating budget (Vote 1b) of \$1.6 billion.

The department also intends to reimburse a net amount of \$11.1 million to other government departments because of reductions in their accommodation requirements. The additional amount sought by the department through these supplementary estimates is therefore \$125.2 million.

This additional funding brings the department's total funding to \$6.04 billion. Of this amount, \$3.14 billion, or 52% of its total budget, is generated from revenues from client departments and \$2.9 billion from parliamentary appropriations. The total budget is broken down into five categories:

- \$1.8 billion for the provision of optional services to departments, such as real property project management and translation services, on a cost-recovery basis;
- \$1.8 billion for rent, fit-up and utilities of government-wide accommodation, Receiver General and central compensation administration functions, and translation services to Parliament;
- \$1.2 billion for buildings and infrastructure maintenance and capital investments such as rehabilitation of the Parliamentary Precinct buildings;
- \$1.1 billion to deliver core programs such as central purchasing and banking, public accounts and payroll and pension services for federal employees; and
- \$112 million for employee benefit plans and other statutory items.

3.2.2 Budget Savings

The Committee heard that, during the 2013–2014 fiscal year, the department made budget savings of approximately \$154.7 million. These savings are the result of sound financial management in all areas of the department, including halving travel expenses over the last four years through better use of technology.

3.2.3 Main Responsibilities

Officials outlined the department's main responsibilities as stated in its [2013–14 Departmental Performance Report](#). Its responsibilities include:

- procuring on behalf of 140 federal departments and agencies approximately \$14 billion per year over the past three years, with over 45%, excluding military procurement, going to Canadian small and medium enterprises;
- handling, as the Receiver General of Canada, over \$2.3 trillion in cash flow transactions annually;
- issuing more than 13.7 million pay and pension payments;
- providing accommodation to parliamentarians and more than 272,000 public servants in 1,716 locations across Canada; and
- providing translation services for more than 1,470 parliamentary sittings and parliamentary committee meetings annually.

In response to a question from the Committee, department officials said that there are two separate budgets for translation services. The first budget works through cost recovery and includes optional

services provided to departments. Total funding is approximately \$161 million annually. The second budget, which is approximately \$34 million, provides language services to Parliament.

3.2.4 Defence Procurement Strategy

Officials told the Committee that the department had launched a defence procurement strategy to provide the Canadian Armed Forces with the equipment it needs in a timely and cost-effective manner, while creating jobs and economic growth for Canadians.

3.2.5 Build in Canada Innovation Program

The Build in Canada Innovation Program allows federal departments to be early adopters of pre-commercial innovative products and services and test prototypes developed by Canadian companies. During the test phase, departments provide feedback to entrepreneurs on their product, helping them improve their innovative goods and services before they are taken to market. The program is managed by Public Works and Government Services Canada and implemented by the Office of Small and Medium Enterprises.

The program was launched as a pilot project in 2010. In the 2012 federal budget, the federal government committed to make the pilot permanent and add a military component.⁴ The program's standard component has four priority areas: environment, safety and security, health and enabling technologies.⁵ The Committee heard that the program's total budget was \$40 million over a five-year period, from 2013–2014 to 2017–2018.

Officials said that, through the program, the department awarded 77 contracts to support the testing of innovations at the pre-commercial stage. The program has benefitted approximately 21 departments. Officials told the Committee they would provide a list of the 77 contracts awarded. At the time of writing, this information had not yet been received.

3.2.6 Payments to Subcontractors

A Committee member told officials about the problems caused by general contractors who had been awarded contracts by Public Works and Government Services Canada making late payments to their subcontractors. While taking note of the Committee member's comments, officials pointed out that there was some distance between the department and subcontractors since it has contracts solely with general contractors. However, some contracts contain clauses relating to periods within which the general contractor must pay its subcontractors. In addition, the Committee heard that the department works regularly with the Canadian Construction Association to discuss this type of subject.

3.3 Department of National Defence

Officials from the Department of National Defence discussed their budget estimates for the current fiscal year in their appearance before the Committee. They also answered Committee questions about the Canada First Defence Strategy, federal contaminated sites and the long-term disability components of the Canadian Forces Service Income Security Insurance Plan.

⁴ The six military components are command and support, cybersecurity, protecting the soldier, arctic and maritime security, in-service support and training systems.

⁵ Public Works and Government Services Canada, [Overview of BCIP](#).

3.3.1 Budget Estimates

According to the *Supplementary Estimates (B), 2014–15*, the Department of National Defence is seeking an additional \$876.0 million for the current fiscal year. This net amount consists of an additional funding request of \$913.3 million partially offset by a transfer of \$37.3 million from the Department of National Defence to other departments and agencies.

The total consists of the following expenditure items:

- a net increase of \$881.6 million in Vote 1b – Operating expenditures;
- an increase of \$0.6 million in Vote 10b – Grants and contributions; and
- a decrease of \$6.2 million in Vote 5 – Capital expenditures.

3.3.2 Canada First Defence Strategy

Under the *Canada First Defence Strategy*, the Department of National Defence is seeking \$652.2 million to sustain the operational readiness of the Canadian Armed Forces, as requested by the federal government.

In response to Committee questions, department officials explained that the requested \$652.2 million was not to finance military operations but to maintain the readiness of the Canadian Forces.

The requested funding is mainly broken down as follows:

- \$344 million is for sustaining the Victoria-class submarines, the Aurora patrol aircraft and light-armoured vehicles;
- \$115 million is for the sustainment of the new Chinook helicopter fleet in Petawawa;
- \$70 million is for maintenance and repair of infrastructure;
- \$59 million is to fund Arctic training exercises;
- \$40 million is for Canada's participation in the memorandum of understanding for the F-35 fighter aircraft; and
- \$22 million is to support the joint personnel support units at various bases across the country.

In answer to Committee questions, department officials said that the \$40 million for Canada's participation in the memorandum of understanding for the F-35 fighter aircraft will allow Canada to maintain its participation in the agreement and purchase F-35 fighter aircraft, if the government decides to do so.

3.3.3 Federal Contaminated Sites

Asked by the Committee about the \$55.3 million for the clean-up of a number of federal contaminated sites, department officials said that this request falls under the *Federal Contaminated Sites Action Plan*. According to officials, this amount is for the assessment, management and remediation of federal contaminated sites. They said that the Department of National Defence is assessing the number of sites under its responsibility and the associated costs. Unable to answer some of the Committee's questions, officials promised to provide the Committee, as soon as possible, with details on federal contaminated

sites under the department's responsibility. The request for information also included the number of contaminated sites and the status of the remediation.

3.3.4 Canadian Forces Service Income Security Insurance Plan – Long-Term Disability

In response to Committee questions, the Department of National Defence officials said that \$190 million was requested to strengthen the long-term disability components of the Canadian Forces Service Income Security Insurance Plan. This funding request stems from the Manuge class action lawsuit and the funding will be used to strengthen the long-term disability benefits of the Canadian Forces Service Income Security Insurance Plan and to implement the regulations approved by the federal court as part of this class action.

3.4 Transport Canada

Transport Canada officials discussed the safety and security of the transportation system, their department's budget estimates, the replacement of the MV Princess of Acadia, the Ferry Services Contribution Program and the reinvestment of revenues from the sale of real property when they appeared before the Committee. They also discussed the Ocean Networks Canada – Smart Oceans Contribution Program, construction of the new Champlain Bridge, and the challenge of recruiting and retaining highly specialized personnel within their department.

3.4.1 A Safe and Secure Transportation System

Officials told the Committee that measures continue to be introduced to strengthen the safety and security of Canada's transportation system, as this is a departmental priority.

3.4.2 Budget Estimates

Officials said that their department was seeking \$156.2 million through the *Supplementary Estimates (B), 2014–15* for initiatives that were not sufficiently developed or known at the time the *Main Estimates, 2014–15* were prepared.

The department's main expenditure increases are as follows:

- \$75.9 million for the replacement of the MV Princess of Acadia, which provides ferry services between Saint John, New Brunswick, and Digby, Nova Scotia, as announced in the 2013 federal budget. Of this amount, \$13.3 million is required to pay a levy to import the new ship;
- \$27.6 million for the extension of the Ferry Services Contribution Program for Eastern Canada ferry services as announced in the 2014 federal budget. This relates to ferry services in Eastern Canada;
- \$12.9 million for advisory services as well as engineering and environmental work and studies to continue the implementation of the Detroit River International Crossing project;
- \$9.2 million for the preparation of the delivery of the Ports Asset Transfer Program, which forms part of an asset management strategy to reduce the inventory of ports, announced in the 2014 federal budget;
- \$7.8 million for the assessment, management and remediation of federal contaminated sites;
- \$2.6 million for the reinvestment of revenues from the sale or transfer of real property; and
- \$2.0 million for the Ocean Networks Canada – Smart Oceans Contribution Program.

3.4.3 Replacement of the MV Princess of Acadia

In response to questions from Committee members, officials confirmed that the new ferry, which will provide service between Saint John, New Brunswick, and Digby, Nova Scotia, has already been purchased by Transport Canada for \$44 million. Built in 2000, the ferry will be refitted, and be back in service in 2015. It has a life expectancy of approximately 20 years. While the ferry and the terminals are the property of the government, they are run by third parties.

3.4.4 Ferry Services Contribution Program

Officials answered questions from the Committee about the Ferry Services Contribution Program. They noted that the program funds the following three ferry services:

- the service between Wood Island, Prince Edward Island, and Caribou, Nova Scotia, operated by Northumberland Ferries Limited;
- the service between Cap-aux-Meules, Îles de la Madeleine, Quebec, and Souris, Prince Edward Island, operated by CTMA; and
- the service between Saint John, New Brunswick, and Digby, Nova Scotia, operated by Bay Ferries Ltd.

The Committee heard that the companies operating these ferries must submit a business plan to Transport Canada to get a contract. Since there are not many operators for this type of service, competition for the contracts is limited.

Lastly, based on contracts in place, company shortfalls are repaid by the federal government. Officials said that a team within their department oversees the contracts and makes sure the companies respect the clauses in those contracts.

3.4.5 Reinvestment of Revenues from the Sale of Real Property

Committee members were interested in the reinvestment of revenues from the sale of real property. Officials explained that revenues from the sale of real property go into the Consolidated Revenue Fund. However, departments can request the net proceeds of those sales in order to continue managing current assets with a view to divesting additional assets.

Officials said that the \$2.6 million in these supplementary estimates is mainly from the sale of land in Mirabel, Quebec, for \$2.5 million. The department is seeking funding to conduct due diligence on additional properties that will go up for sale and to remediate contaminated sites.

3.4.6 Ocean Networks Canada – Smart Oceans Contribution Program

Officials said that the Ocean Networks Canada – Smart Oceans Contribution Program started in 2007 out of the University of Victoria and resulted in the creation of ocean observatories. Their facilities monitor tides, undersea activity and whale movement and collect data that is useful for navigation. In exchange for funding, Transport Canada has access to this data and can convert into usable data.

3.4.7 Construction of a new Champlain Bridge

In responding to Committee members' questions, officials said that Transport Canada was seeking approval to transfer two amounts to Industry Canada. The first transfer of \$640,000 is for the oversight of Jacques Cartier and Champlain Bridges Inc., the Crown corporation responsible for the new Champlain Bridge. The second transfer of \$4.4 million is for the construction of the new bridge.

Officials confirmed that a team within Infrastructure Canada was responsible for the development of the new bridge project while another Infrastructure Canada team was responsible for overseeing the Jacques Cartier and Champlain Bridges Inc.

3.4.8 Recruitment and Retention of Highly Specialized Employees

The Committee heard that, as noted in its most recent departmental performance report, the recruitment and retention of highly specialized employees remains an ongoing challenge for Transport Canada. The department has therefore made recruitment one of its main priorities. It has been recruiting and training new staff in several specialized areas to ensure it has the right level of employees to deliver its mandate. Furthermore, it is currently running a number of national staffing processes for highly specialized personnel, including inspectors.

Officials explained that their department continuously analyzes its workforce and focuses on recruitment and retention of staff to ensure resources are put where they will provide the greatest safety benefits. If an area requires additional resources, Transport Canada adjusts priorities and reallocates resources to those high-risk areas.

The Committee was interested in the measures taken by Transport Canada following the Lac-Mégantic tragedy. Officials said a range of measures had been taken, both on the rail safety and on the transportation of dangerous goods side. Transport Canada is also hiring additional auditors and inspectors. However, recruiting inspectors is a challenge for various reasons, including salary, pension and location.

3.5 Indian Affairs and Northern Development Canada

Officials with Indian Affairs and Northern Development Canada discussed their budget estimates for the current fiscal year in their appearance before the Committee. They also answered questions from the Committee concerning the flooding of Manitoba's Interlake region, the Canadian High Arctic Research Station, the Indian Residential Schools Settlement Agreement, and Aboriginal participation in West Coast energy development. They also discussed the Indian Residential Schools Truth and Reconciliation Commission, the implementation of comprehensive land claims agreements in Yukon, Northwest Territories and Quebec, transfers from their department to other federal departments and agencies, funding to First Nations and Inuit communities and lower-value initiatives.

3.5.1 Budget Estimates

Officials said that the *Supplementary Estimates (B) 2014-15* included initiatives of \$153.9 million for their department, bringing total requested authorities for 2014-2015 to \$8.6 billion.

3.5.2 Flooding in Manitoba's Interlake Region

Department officials said that \$40.6 million was requested to help residents of 18 First Nation communities, who were evacuated because of flooding in Manitoba's Interlake region in 2011, return home or to alternative long-term accommodation. In response to questions, officials said the total cost of the initiative was \$253 million over three years, which started in 2014–2015.

3.5.3 Canadian High Arctic Research Station

The department is seeking \$38.2 million for the construction of the Canadian High Arctic Research Station and the implementation of the associated science and technology program. According to officials, the station will be built in Cambridge Bay, Nunavut, and be a world-class facility for science and technology that will link the network of regional facilities across the North. In response to questions from some members of the Committee, officials responded that construction work on the station began in August 2014 is expected to be completed in July 2017. The station will generate an estimated 150 jobs during construction and between 30 and 50 jobs for scientists and support staff once the station is operational.

3.5.4 Indian Residential Schools Settlement Agreement

The Committee heard that \$11.9 million was transferred from the 2013–2014 fiscal year to the 2014–2015 fiscal year to continue the implementation of the Indian Residential Schools Settlement Agreement.

3.5.5 Aboriginal Participation in West Coast Energy Development

The department is requesting \$10.5 million to facilitate Aboriginal participation in West Coast energy development projects. According to officials, this funding will allow for greater participation of Aboriginals in various projects to diversify Canada's energy export markets by penetrating emerging Asia-Pacific markets. In response to a series of questions from Committee members, officials said that roughly half of British Columbia's Aboriginal groups will participate in these projects as well as a number of Aboriginal communities in Alberta. Funding will be used in four areas of activity: early and ongoing engagement, creating jobs and growth, environmental action, and fish habitat restoration. Lastly, officials added that performance measures are associated with each project proposal and that results on these measures will be reported in the department's performance reports.

3.5.6 Indian Residential Schools Truth and Reconciliation Commission

A total of \$9.9 million is being requested to provide documents to the Indian Residential Schools Truth and Reconciliation Commission. The Committee was told that the equivalent of more than 60,000 boxes of documents is being stored at Library and Archives Canada and must be digitized before being forwarded to the Commission.

3.5.7 Implementation of Comprehensive Land Claims Agreements in Yukon, Northwest Territories and Quebec

The officials stated that \$4.9 million would be allocated to implement the Yukon Umbrella Final Agreement Implementation Plan, the Yukon Environmental and Socio-economic Assessment Plan, Yukon regional land use planning, and support for the operations of the Cree-Naskapi Commission in Quebec.

3.5.8 Transfers between Indian Affairs and Northern Development Canada and Other Federal Departments

The Committee learned that the *Supplementary Estimates (B), 2014–15* also provide for various transfers between Indian Affairs and Northern Development Canada and other federal departments, including a transfer of \$28 million from the Department of National Defence to support remediation activities under the Federal Contaminated Sites Action Plan.

3.5.9 Total Funding for First Nations and Inuit Communities

The Committee was told that the current supplementary estimates would bring the total funding for First Nations and Inuit communities to \$11.3 billion for this fiscal year. This amount constitutes an increase of about \$500 million over the *2014–15 Main Estimates*. According to departmental officials, the increase is earmarked primarily for Indian Affairs and Northern Development Canada, which will receive more than \$400 million for such activities as the First Nations Water and Wastewater Action Plan, negotiations involving land claims and self-government across Canada, and Aboriginal participation in West Coast energy development.

Several organizations, such as the Canada Mortgage and Housing Corporation, Employment and Social Development Canada, and the Royal Canadian Mounted Police, will also receive funding in 2014–2015 as part of their Canada-wide programs for First Nations and Inuit communities.

3.5.10 Smaller Initiatives

Lastly, the officials discussed allocations for four smaller initiatives: \$3.4 million to complete work associated with the Northwest Territories Devolution Agreement; \$2.1 million for implementation of the Sioux Valley Dakota Nation Governance Agreement and Financial Arrangements Agreement, which includes \$985,000 for an out-of-court settlement; and a nominal amount of \$14,800 for the delivery of Mi'kmaq education services in Nova Scotia.

3.6 Fisheries and Oceans Canada

Officials from Fisheries and Oceans Canada appeared before the Committee to discuss the department's budget estimates for this fiscal year. They also spoke on the renewal of the Pacific and Atlantic Integrated Commercial Fisheries Initiatives, the Small Craft Harbours Program for repair and maintenance work, the Recreational Fisheries Conservation Partnerships Program, and fleet renewal and procurement of light-lift helicopters for the Canadian Coast Guard.

3.6.1 Budget Estimates

According to the *Supplementary Estimates (B), 2014–15*, Fisheries and Oceans Canada is requesting \$177.1 million in additional funding for 2014–2015. Committee members were told that the main expenditure items can be grouped into two categories.

1. Funding announced in the 2014 federal budget:
 - \$32.2 million for the renewal of Pacific and Atlantic Integrated Commercial Fisheries Initiatives;
 - \$17.8 million for the Small Craft Harbours Program for repair and maintenance work across Canada; and

- \$5.0 million to extend the Recreational Fisheries Conservation Partnerships Program.

2. Spending announced prior to 2014:

- \$78.8 million for the renewal of the Canadian Coast Guard fleet;
- \$20.6 million to procure light-lift helicopters for the Canadian Coast Guard; and
- \$7.1 million to define the outer limits of Canada's continental shelf in the Arctic Ocean.

3.6.2 Renewal of Pacific and Atlantic Integrated Commercial Fisheries Initiatives

When asked about the request for \$32.2 million for the renewal of Pacific and Atlantic Integrated Commercial Fisheries Initiatives, the officials from Fisheries and Oceans Canada stated that the funding would be used to help First Nations fishing enterprises integrate into existing commercial fisheries and to encourage First Nations to participate in fisheries management decisions.

3.6.3 Small Craft Harbours Program for Repair and Maintenance Work

In response to questions from the Committee, the departmental officials stated that the Small Craft Harbours Program for repair and maintenance work has been very successful across the country. They explained that the program is designed to help small craft harbours and core fishing harbours with the construction and maintenance of wharves, dredging activities and other expenses necessary to keep fisheries commercially viable.

3.6.4 Recreational Fisheries Conservation Partnerships Program

The Committee was told that the federal government seeks to double funding for the Recreational Fisheries Conservation Partnerships Program in 2014–2015 through its request for \$5 million in the supplementary estimates. According to the officials from Fisheries and Oceans Canada, the program should support 385 fish habitat restoration projects.

3.6.5 Renewal of the Canadian Coast Guard Fleet

Committee members asked about the renewal of the Canadian Coast Guard fleet and were told that the request for \$78.8 million covers three expenditure items:

- \$63.6 million for the purchase of three offshore fisheries science vessels. The vessels are being constructed at the Vancouver shipyard as part of the National Shipbuilding Procurement Strategy, which supports scientific advancement and sustainable development in the management of offshore fisheries;
- \$9.5 million for engineering and procurement planning to support the Vancouver shipyard as part of the Coast Guard renewal project;
- \$5.9 million to refit the largest icebreaker, the Louis S. St-Laurent. The Committee was told that the refit will enable the icebreaker to remain in service until 2021 and that the work is essential since the polar class icebreaker project will be delayed for several years.

3.6.6 Light-lift Helicopters

Committee members inquired about the request for \$20.6 million to purchase light-lift helicopters for the Coast Guard. They were informed that this amount will enable Fisheries and Oceans Canada to receive the first of 15 helicopters to be delivered over the coming years. The request will also fund various preparatory costs and the installation of a building to house the simulator that will be used for all helicopter training.