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## **Standing Committee on Public Accounts**

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**EVIDENCE**

**Monday, April 3, 2017**

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**Chair**

**The Honourable Kevin Sorenson**



## Standing Committee on Public Accounts

Monday, April 3, 2017

• (1530)

[English]

**The Chair (Hon. Kevin Sorenson (Battle River—Crowfoot, CPC)):** Good afternoon, everyone, and welcome.

This is meeting number 50 of the Standing Committee on Public Accounts. I remind everyone today that we are televised as we hold our hearing on “Report 4, Oversight of Passenger Vehicle Safety”, of the Fall 2016 reports of the Auditor General of Canada.

Appearing before us we have, from the Office of the Auditor General of Canada, Mr. Michael Ferguson, the Auditor General of Canada; and Richard Domingue, principal.

From the Department of Transport we have Michael Keenan, deputy minister; Laureen Kinney, assistant deputy minister, safety and security; and Kim Benjamin, director general, road safety and motor vehicle regulation.

I understand that each of our witnesses has an opening statement before we turn to questions by members of our committee. I will invite our Auditor General to proceed with his opening statement, please.

**Mr. Michael Ferguson (Auditor General of Canada, Office of the Auditor General of Canada):** Thank you.

Mr. Chair, thank you for this opportunity to present the results of our audit of the oversight of passenger vehicle safety by Transport Canada.

Vehicle safety technology is evolving faster than regulations and standards. Transport Canada faces challenges in exercising its important role of keeping passenger vehicles safe. An up-to-date regulatory framework and the proper oversight of passenger vehicle safety help to ensure that Canadians are driving the safest vehicles possible.

We examined whether Transport Canada's regulatory framework and its oversight of vehicle safety defects and recalls were adequate to respond to emerging safety risks and issues in a timely manner. We noted a number of significant deficiencies in the regulatory framework, including a lack of timeliness, an absence of broad stakeholder consultation, and outdated regulations.

[Translation]

We found that Transport Canada did not develop motor vehicle safety standards to respond to emerging risks and issues in a timely manner. For example, Transport Canada's regulations did not allow vehicles to be equipped with advanced headlights that are controlled

by software. At the same time, however, unregulated semi-autonomous vehicles are being driven on Canadian roads.

We found that, in general, Transport Canada waited for the National Highway Traffic Safety Administration in the United States to develop new or amended standards before proposing regulatory actions in Canada. This reactive approach created significant delays in implementing new standards, and meant that some passenger vehicles were not equipped with the newest safety features available in other countries, such as the aforementioned advanced headlamps. There were lengthy delays—sometimes of more than 10 years—from the time that Transport Canada started to work on an issue to the implementation of new or amended standards.

Prior to making proposed regulations public in the *Canada Gazette*, Transport Canada consulted with manufacturers but did not engage broadly with stakeholders such as consumer associations, medical associations and police. Manufacturers may have exercised disproportionate influence on regulatory decision-making.

We found that some important standards were not working as intended, or were outdated. For example, Transport Canada was aware that child seat anchorages could fail under certain conditions, but it had not proposed a new regulation or issued an advisory by the audit completion date. The department stated that introducing a unique-to-Canada requirement for anchorage strength in passenger vehicles would be detrimental to trade.

• (1535)

[English]

We also found that Transport Canada did not plan or fund its research and regulatory activities for the longer term. As a result, the department could not prioritize resources and spending decisions accordingly. For example, between April 2012 and December 2015, the department purchased 98 passenger vehicles for research testing. As of December 2015, 24 of these vehicles, costing over \$500,000, remained untested. The department told us that unpredictable funding contributed to this situation.

Finally, we looked at Transport Canada's oversight and analysis of public complaints and manufacturers' recalls. Overall, we found that the department adequately assessed complaints from the public to identify vehicle safety defects. However, the department did not request information about critical safety issues that manufacturers were investigating. As well, manufacturers issued 318 recalls between 2010 and 2015 for safety-related issues that were not brought to the department's attention.

Furthermore, the department did not have the authority to assess whether manufacturers implemented effective processes for identifying and reporting safety defects. This limited the department's ability to investigate defects and better protect Canadians.

We found that Transport Canada adequately assessed vehicle manufacturers' efforts to complete safety recalls. However, manufacturers had difficulty identifying, and contacting owners for some recalled passenger vehicles, especially the owners of older vehicles. Transport Canada has agreed with our seven recommendations and has prepared a detailed action plan.

[Translation]

Mr. Chair, this concludes my opening statement. We would be pleased to answer any questions the committee may have.

Thank you.

[English]

**The Chair:** Thank you very much, Mr. Ferguson.

We'll now move to the deputy minister, Mr. Keenan. I believe this is his first time appearing before the public accounts committee. We thank you for being here today, and we look forward to your comments.

**Mr. Michael Keenan (Deputy Minister, Department of Transport):** Mr. Chair, thank you very much for the welcome. I'm happy to be here today, and look forward to the opportunity to discuss the Auditor General's 2016 "Report 4, Oversight of Passenger Vehicle Safety".

I'd like to thank the Office of the Auditor General for a very thorough and comprehensive review of our motor vehicle safety program. The department welcomes this review. It's a key opportunity for us to improve the performance of our safety program by rigorously identifying areas for improvement. The safety of Canadians and their confidence in the motor vehicle safety regime is a key priority for the Government of Canada.

The safety of motor vehicles in Canada has been steadily improving over the past three decades. In the early 1970s, there were approximately 6,000 deaths and 25,000 serious injuries every year from motor vehicle collisions. At the time, there were approximately 12 million registered vehicles and about 13 million drivers. In 2014, the last year for which there is complete data, Canada had about double that, 25 million drivers and 23 million vehicles, but the number of fatalities had declined to 1,800 and serious injuries to 9,600. In essence, the number of vehicles, drivers, and number of kilometres driven have about doubled, and the number of Canadians killed or injured has fallen by 60% to 70%.

● (1540)

[Translation]

To support continued improvement to motor vehicle safety, Transport Canada develops standards and regulations for new and imported vehicles, tires and child restraints. The department also has a robust safety defect program, which entails the assessment and investigation of public complaints and other indicators that help the department identify vehicle safety issues.

[English]

It also has a recall program to oversee manufacturer defect notifications, and follow-up to ensure that defects are remedied. The audit focused on these three areas.

In general, the audit noted that there were some areas where the department did a good job and other areas where there was clearly a need for improvement. The audit noted that not all standards and regulations were developed in a timely manner. In addition, it was felt that the department did not consult widely enough on proposed changes, often just consulting manufacturers in the early development of regulations.

In response, Transport Canada has committed to publishing additional information on planned regulatory amendments on its website, and to seeking broader involvement of other stakeholders and experts, such as the insurance industry and other key players, in the pre-consultation phase of the process.

Another concern identified by the audit was that the department did not have complete and timely collision and injury data and did not demonstrate how research informed the development of safety regulations. In Canada, the collection of collision data, such as basic collision characteristics, crash configuration, vehicle type, etc., is conducted by police officers and reported to provincial and territorial governments, who provide Transport Canada with data to populate the national collision database.

The department is assessing this data against its regulatory needs and developing an action plan to improve data quality and timeliness. Transport Canada is also committed to increasing the transparency of the use of data in the development of regulations. The process to codify this transparency has been implemented, and a summary of the assessment of evidence and research will be more clearly outlined in the regulatory impact analysis statements that are published as part of the regulatory process in the *Canada Gazette*.

The report noted a need for a long-term operational plan and stable sustainable funding. The department is working on the development of such a plan for the crashworthiness research program. The development of this plan will include an assessment of the linkages between research and the regulatory planning processes, and a review of program priorities. This longer-term operational plan is intended to improve the funding sustainability of the program.

One always likes to look on the positive side, where I would note that the OAG indicated that Transport Canada adequately assessed complaints from the public to identify vehicle safety defects. In particular, it recognized that in 2016, departmental officials identified a potentially dangerous defect in the rear seat belts of the Toyota Rav4 vehicles. The implicated seat belts had the potential of rupturing during collisions and causing death or serious harm. The discovery of this defect led to a recall of nearly 150,000 Rav4s in Canada. Globally, over 2.7 million vehicles have been affected by the discovery of this issue in Canada. The OAG found that the program adequately assessed and tracked manufacturers' efforts to complete safety recall campaigns.

Transport Canada also continues to work to identify means to help improve those completion rates, including the development of improved messaging on the importance of having the remedy completed. It is also envisaged that the proposed changes to the Motor Vehicle Safety Act contained in Bill S-2 will help to improve recall completion repair rates, by providing the minister with the ability to order the manufacturer to bear the financial burden of conducting the repair to the vehicle.

An issue with the defect program that was noted in this audit is the lack of information regarding manufacturers' internal investigations to identify safety defects. This is an area that needs to be addressed, and the issue is one of the major ones that would be addressed through the passage of Bill S-2. That bill is working its way through the parliamentary process, and the department continues to support it to help ensure that the safety benefits of the changes in that legislation can be realized.

It was also recommended that the department request manufacturers to provide information on their safety processes. We have made the request to manufacturers and will review the information as it is received to determine how to incorporate it into the defect program.

• (1545)

[Translation]

Motor vehicles are very important to the social and economic well-being of Canadians. The social costs of these collisions are estimated at \$36 billion annually, to say nothing of the impact on Canadian families.

Transport Canada works to help limit the impact of vehicle defects on this number and to support new vehicle safety technologies, which can help mitigate the severity of a crash, should a crash occur, or ideally increase the collision avoidance capabilities of the driver/vehicle operation.

[English]

In addition, we will work with our provincial and territorial partners to improve road safety through the road safety strategy 2025. With these efforts, including the action plan and response to the Auditor General's report, together we can make Canada's roads safer as we work toward our aspirational goal of zero fatalities on our roads.

Mr. Chair, we look forward to the committee's questions and comments. Thank you very much.

**The Chair:** Thank you very much.

We'll go into the first round of questioning with Ms. Shanahan for seven minutes, please.

**Mrs. Brenda Shanahan (Châteauguay—Lacolle, Lib.):** Thank you very much, Chair.

I'm glad to be back here with the committee and to see you back with the committee as well. Thank you very much.

I'm also glad to see the representatives of Transport Canada back here, and you, Mr. Keenan.

Where do I start? This report disturbed me greatly when the Auditor General first presented us with all the reports we have on a regular basis. Why? Not that I know anything about cars—I just know how to drive one—but because of the confidence and the trust that Canadians have in Transport Canada to ensure that the cars we are driving are safe. So, yes, I certainly agree that cars are a lot safer. I think we can applaud manufacturers for taking that responsibility seriously.

I find it interesting that you will be consulting with the insurance companies. Let us not forget that insurance companies are interested in reducing the payout of claims, so they have a special interest. I find it interesting that other stakeholders who have a vested interest in the safety of Canadians have yet to be consulted.

I deplore the fact that the very reason for the vehicle safety regulations is to prevent accidents from happening, which seems to have slipped from the operations and mandate of Transport Canada. In saying so I go to the Auditor General's report. In paragraph 4.22, the Auditor General's office states:

We found that Transport Canada did not maintain an up-to-date regulatory framework for passenger vehicle safety. There were lengthy delays, sometimes more than 10 years, from the time work began on an issue to the Department's implementation of new standards or changes to existing ones. We found that Transport Canada had discussions with manufacturers prior to announcing its intention to implement or modify a particular regulation in the *Canada Gazette*, Part I. These consultations often went beyond technical feasibility issues, which contributed to these delays. Finally, we found that Transport Canada did not systematically consult with other important stakeholders, such as vehicle parts and equipment suppliers, insurance companies, medical associations, and police.

What were those discussions with the manufacturers about, and why were the other stakeholders not consulted?

• (1550)

**Mr. Michael Keenan:** Thank you for the question. In fact, thank you for about four questions, I think. I'll work my way through them. I apologize, because I probably was too brief in my introductory comments.

I'll start with the question about the consultations on the regulatory process, where you ended. It was one of your key themes. As you indicated, the Auditor General found some faults and weaknesses in how we consult and whom we consult. The department has committed to change the process by which it develops the regulations. First and foremost, the regulations are put into the public domain through the regulatory process. There's an initial draft regulation that goes out through the *Canada Gazette* for all Canadians. There's an official comment period, during which we take comments from all Canadians. Then a final set of regulations is published in the *Canada Gazette*.

I think what you're referring to is the fact that in the preparatory work, in developing the initial set of regulations for public comment, the department does work closely with the manufacturers, because these are the people we're regulating. In the regulatory process, having a dialogue between the regulator and the "regulatee" is a key part of developing proper regulations.

I think it's fair to say that in that process, we were not going out and proactively seeking comments from a larger group of people. In response to the Auditor General's report, we're putting in place a couple of key changes to rectify that. First, we will be publishing on a website our regulatory plan for the next three years. I think we're doing three years at a time. Then all Canadians will be able to see where we intend to strengthen safety regulations in motor vehicles over the next three years. It gives them an opportunity to identify a regulation that's important to them and to provide their perspective to us.

In addition to that, when we're in this pre-regulatory phase, we will be making a point of proactively reaching out to, quite frankly, the kind of stakeholders you listed in your question, saying, "We are working on this issue. Do you have any views on this particular issue? If so, please let us know about those views."

So we're making a concerted effort to put in place a regime wherein very early in the regulatory process—because there's work that has to be done before one gets to a set of draft regulations—we're telling everybody about what we're doing, and we're—

**Mrs. Brenda Shanahan:** I hate to interrupt you, Mr. Keenan. It's not my style. But I want to address just one comment that the Auditor General makes about the CMVSS 210.2 and the problems with the child restraints: "The Department indicated to us that introducing a unique-to-Canada requirement for anchorage strength in passenger vehicles would be detrimental to trade."

How was that kind of preconsultation with industry helpful to Canadians?

**The Chair:** We have one minute left in this question.

**Mr. Michael Keenan:** There has been a long history in the evolution of the regulatory standard for child safety seats in Canada and the United States. The maximum weight that regulators allow for children in the child seats has crept up over the years. Canada has acted in a similar fashion to the United States, usually a bit after the U.S., in increasing those weights, but at the weight of 65 pounds, which I think is 30 kilograms, Canada came to the view that having children in child seats above 65 pounds was not conducive to effective safety and that they would be better off in booster seats using seat belts. The U.S. came to a different view. They have

increased their maximum weight for a child in a child safety restraint system—

**Mrs. Brenda Shanahan:** That may be well and good, but it's not what we've had explained to us here.

**The Chair:** Our time is up on that one. I imagine that we'll come back to that.

Welcome, Ms. Block. It's good to have you here. You have seven minutes.

**Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC):** Thank you very much, Mr. Chair. I appreciate the opportunity to be here. I have an opportunity to ask questions of our departmental officials when they come and speak to us at the transportation committee, so this is a rare opportunity for me and I thank my colleagues for giving me the opportunity to answer questions as well. Perhaps we'll get back to Ms. Shanahan's questions a little sooner than she might think because she asked one of the questions I had wanted to ask.

I've gone through the report. I have a number of questions I'd like to ask and I'm going to go through them in the order that they appear in the report.

In a follow-up to the question by Ms. Shanahan, I am also concerned by the report's comment on the anchorage systems and, in particular, about the last point:

While Transport Canada discussed the issue with passenger vehicle manufacturers, it had yet to propose a new regulation or issue an advisory for child restraint users. The department indicated to us that introducing a unique-to-Canada requirement for anchorage strength in passenger vehicles would be detrimental to trade.

Why is Transport Canada making safety decisions based on the impacts that regulations could have on trade and not solely on safety? Perhaps you could also speak to Transport Canada's role in handling safety and the manufacturers' role for figuring out how to make money within the safety regulations that Transport Canada might set.

• (1555)

**Mr. Michael Keenan:** Thanks for that question. It cuts to the heart of our mandate.

Mr. Chair, I would like to say that it's great to see the honourable member. I think it was a week ago in the other committee that we were exchanging views.

I think you ask a really important question. In the work of Transport Canada, we have a safety mandate, an environmental mandate, and an economic mandate. Fundamentally, the safety mandate comes first. It comes first in the priorities in the work of the department. It comes first in the articulation of priorities that our minister makes, both in public and through his direction to departmental officials.

On the child restraint system, there is a comment in the Auditor General's report about the impact on trade, and to be honest, I wasn't sure about the basis for that. It clearly was communicated by somebody in the department to the Auditor General. What I can tell you is that in the safety standards for vehicles, there is a strategic priority in harmonizing our safety standards with the U.S. However, the child restraint system is one area where we don't harmonize with the U.S. and where we have taken a different standard. We have articulated a different maximum weight for a child in the child restraint system, and the reason we have done so is that, in our estimation, there is greater effective safety in having children who weigh more than 65 pounds, or 30 kilograms, to be out of a child safety seat and in a booster seat using the three-point seatbelt in the car.

As for issue of the performance rating for the anchor that Canada has, it is the highest type of performance rating for anchors in the world. We could certainly change it, but our view is that changing the anchor and then putting heavier children in child restraint systems with the anchor is not conducive to safety. A better safety result is achieved by getting them in the booster seat with the three-point seatbelt. We do work on this issue in the department, and I invite my colleagues to correct me if I'm wrong, but we and many partners in the country try to publicize this, but the installation of child safety seats has to be done correctly. There are different manufacturers with different requirements, which change by weight, and there is an effective safety issue with having those child seats put in properly. For the larger children, you avoid that risk by getting them in a booster seat and the three-point seatbelt.

• (1600)

**Mrs. Kelly Block:** Thank you very much.

I do appreciate the need for Canada and the United States to have standard safety regulations that are aligned, because of the trade across our borders, but I want to follow up on your comment about not being sure why that observation might have been raised as a result of the audit the Auditor General's office was conducting.

It would be of concern to me that perhaps folks working in Transport Canada don't understand where trade and its impact fit in terms of safety. As you've pointed out, that's your number one priority, and yet something hasn't been implemented because it would be detrimental to trade. That's somewhat concerning to me to find that this would be a reason given to the Auditor General for why something would or would not be happening.

Because I'm running out of time, I'm going to go quickly to another question I had on paragraph 4.44 on page 15 of your report. Maybe it will get followed up on by someone else. On the recommendation about developing new or modifying existing standards, is legislation required to get provinces and other private and public agencies to provide collision and accident data to Transport Canada?

**The Chair:** Be very quick, please.

**Mr. Michael Keenan:** First, we believe that we can make progress in getting more information more quickly from some of our key partners through dialogue and engagement, as opposed to compelling it through legislation. We're executing a plan to do that in

response to the Auditor General's correct observation that we don't have the latest, most complete data.

**The Chair:** Thank you very much.

Thank you, Ms. Block.

We'll now move to Mr. Masse.

Welcome to committee. It's good to have you here.

**Mr. Brian Masse (Windsor West, NDP):** Thank you, Mr. Chair.

It's very timely for me to be here, coming as I do from Windsor, the auto capital of Canada, across from Detroit, Michigan, where we've seen a number of different Canada-U.S. issues related to recalls. I'd like to ask the Auditor General a question.

Overall for consumers, when you look at our two regulations that are in place, it has been very challenging for consumers in Canada versus consumers in the United States. In fact, for the Prius, for example, the recall legislation in the United States led to fines and penalties. Consumers had their vehicles picked up from their homes, fixed, and returned. There was investment in the United States related to that as well. Meanwhile, over here in Canada, there don't seem to be the same types of powers. In fact, the Minister of Transport can't even issue a recall.

One of the things I'm looking at in your submission is point number 10 on information about critical safety issues and manufacturers. Between 2010 and 2015, there were about 318 recalls for safety-related issues that were not brought to the department's attention. From this, it seems to me that the industry standards in terms of expectations for recall appear to be quite different for the consumer in Canada versus the consumer in the United States. Would it be fair to say that we seem to be a laggard when it comes to consumer rights, recalls, and what our response is as a federal authority?

**Mr. Michael Ferguson:** Thank you, Mr. Chair.

I can't do a comparison of the Canadian system and the U.S. system. That wasn't what we did in the course of the audit, but certainly in terms of the recall issue, one of the things we identified was that manufacturers have information about things that consumers are bringing to their attention, things that they are investigating and don't always let Transport Canada know about. We felt that would be an important source of information for Transport Canada to be able to better understand what the possible defects are.

Really, in terms of the 318 recalls that you referred to, I think that was essentially the context of the issue we were raising. There's more information available out there, information that exists in the hands of the manufacturers, and that information would be important information for Transport Canada, to help inform their knowledge of possible defects.

**Mr. Brian Masse:** Along with that, your paragraph 4.11 is interesting. We can look at the Volkswagen situation, for example, and safety recalls and passing that information on to a vehicle owner who sells a vehicle. It's the value of the vehicle. In your work, what did you find? What were the pros? Or what was Transport Canada good at? Are there still deficiencies there for passengers, I guess—and for enforcement—in terms of knowing whether recalls have been carried out on vehicles when you're trying to sell a vehicle to someone, for example? Are we exposed on that front?

Once again, here's what we're looking for. If you go out to purchase a used vehicle, how much public awareness is there? How much of a role does Transport Canada seem to be playing in passing those recall information items to new owners? It does affect safety, and a recall does affect a sale, hence Volkswagen's response most recently.

• (1605)

**Mr. Michael Ferguson:** Mr. Chair, starting at about paragraph 4.101 in the report, we go through a number of things that are happening with safety defect notifications, recalls, and those sorts of things. In paragraph 4.108, we start about the vehicles and we say that “an average of nearly 8 in 10 vehicles were repaired following a recall notification”.

In fact, in this area, we found that Transport Canada was doing a number of good things that the manufacturers tended to follow, working within the timeframes and the standards that had been established for bringing safety defect notifications to Transport Canada's attention, starting the work on recalls, and then getting as far as they could get in terms of recalls. But we identified that, because vehicles cross borders, and after a number of years, when the vehicles are older, it can be harder to identify where they are. That seems to be one of the main impediments that still exist to getting that recall repair rate above the 80% where it currently is.

**Mr. Brian Masse:** That's very helpful, because there are so many sales that go back and forth amongst consumers, as well as between Canada and the United States.

Subsequent to that, Mr. Keenan, it is noted in your assessment here that a number of vehicles have not been evaluated. They are newer vehicles. The reason I raised the issue of Volkswagen, and the cost and the value, which connects all this, is that the resale value is based upon mileage and a number of different things expressed related to emissions and so forth. You have 24 vehicles purchased that are apparently still in the department without research and testing.

Can you give us an example of what types of vehicles were purchased? This is item number 9 in the speaking notes submitted by the Auditor General here. It says, “As of December 2015, 24 of these vehicles, costing over \$500,000, remained untested.” What types of vehicles are you not able to get the testing for? Are they ones with more autonomous driving or ones with emission improvements? What types of vehicles can you not get to the testing, and is it because of lack of staffing?

**Mr. Michael Keenan:** Thank you, Mr. Chair.

The member correctly noted that the Auditor General found that as of December 2015, we had an inventory of 24 vehicles that had yet to be examined. As of about two weeks ago, that inventory was

down to two. Those two vehicles were a Mercedes SL 400—kind of expensive, but we had brought it in to test the avoidance system on it—and I think a Nissan LEAF, on which we had been working with the NRC to evaluate its battery performance.

We are just bringing in now a batch of about 30, I think, which we just bought. We are always going out and buying a batch, and then we get them in. We work out a plan to maximize the information we can get from them before we crash them.

**The Chair:** Thank you. Our time is up.

It sounds like an interesting job: buy 30 cars and then do certain tests before you crash them. I have a son who would probably enjoy working at a place like that.

All right, we'll go back to Madame Mendès.

**Mrs. Alexandra Mendès (Brossard—Saint-Lambert, Lib.):** Thank you, Mr. Chair.

[*Translation*]

Good afternoon, everyone. Thank you for being here.

[*English*]

I have a follow-up to the crash question. On page 10 of the Auditor General's report, there is this sentence:

Transport Canada had incomplete collision and injury data, and could not demonstrate how research informed safety regulations

This seems to be quite contrary to what happens in the United States, where all their crash dummy testing is very visible, transparent, and available. Apparently, Transport Canada doesn't have this. It is not public, and it is not available for consultation. The report notes:

...[it] did not include complete Canadian data, and...the Department did not obtain other relevant information, such as insurance industry statistics.

Could you comment on this, Mr. Keenan? Is it something that you intend to address? I didn't see in the action plan actions specifically meant to address this, but I would be very happy to hear you bring it forth.

• (1610)

**Mr. Michael Keenan:** I can't find the sentence, but I would commend—

**Mrs. Alexandra Mendès:** It's on page 10.

**Mr. Michael Keenan:** I would commend the Auditor General for the efficiency of his language, because in one sentence he encapsulated two significant challenges. The first is that Transport Canada is not currently receiving all of the data available on collisions, collision factors, and other factors. I think that's his recommendation 4.44. We are acting on that recommendation with a strategy to work through the Canadian Council of Motor Transport Administrators and seeking a commitment on the part of the motor vehicle administrators in all provinces and territories to go to a higher level in getting that data to the Government of Canada.

**Mrs. Alexandra Mendès:** Mr. Keenan, that is after actual collisions, if I'm not mistaken.

**Mr. Michael Keenan:** Yes.



**Mrs. Alexandra Mendès:** I'm talking about the testing. When you do your crash testing, that's the other part.

**Mr. Michael Keenan:** It's taking me too long to get to the second part. This is why the Auditor General's sentence is so efficient, because the second problem contained in that sentence is that, while we have a research program and we generate research through it, and while we rely on research from researchers in Canada and internationally, including out of the U.S., we have not always been clear and transparent as to the research we're using and how we're using it to inform our regulations.

We have committed in our regulatory process and in our regulatory plans to articulate clearly which pieces of research we're using to inform our proposed regulations. We will include this in the regulatory impact statements that are part of the proposed regulations going into the *Canada Gazette*.

On one end, we're working to pull in more data from the actual experience of collisions and accidents and problems across the country. On the other end, we're committed to making sure we are being more transparent in the research we're using to inform our proposed regulatory measures.

**Mrs. Alexandra Mendès:** Thank you very much.

Do I still have time?

**The Chair:** You have three minutes.

[*Translation*]

**Ms. Alexandra Mendès:** I want to come back to one of the Auditor General's comments. Let's come back to the United States. The department often waits for the National Highway Traffic Safety Administration to develop new standards before adapting them to Canada.

I understand that means are different in the United States, especially in terms of numbers, but Canada also has its own unique characteristics, be they related to the climate or the terrain.

Shouldn't Transport Canada be strongly encouraged to be a bit more proactive when it comes to researching, drafting and implementing those regulations?

**Mr. Michael Keenan:** Yes. You are right, Transport Canada often waits for the United States to develop regulations to define its rules. That's entirely true.

[*English*]

I would characterize that as part of a regulatory strategy wherein we are seeking to get the highest level of safety practicable, and in the context of North America, pursuing a priority of regulatory alignment facilitates that.

In many cases—and here this the Auditor General is absolutely right—we work with the U.S. in dialogue, and then, once they've settled down where they're going, we will seek an aligned regulation in Canada where it makes sense.

There are times when the opposite happens. When Canada sees a problem and Transport Canada sees a problem, we take action, and even though we're smaller, and I would say that it's a little harder to get the attention of the U.S., there are instances when we've moved first to address a safety issue, and the U.S. has followed and aligned

with us. One example is immobilizers. In 2005-06 there was a growing death toll from kids stealing cars, joyriding with them, and in the process of joyriding, driving carelessly and having accidents. The theft of the car for the teenage joyride was connected to a new source of vehicle risk.

About 2007-08, Canada required immobilizers, and we rolled in a regulatory requirement for immobilizers. That did not curtail the professional car thief going after a Mercedes. It did stop the teenagers, and the death rates from joyriding accidents plummeted. It was an improvement in safety on the roads in Canada.

The U.S. didn't have that, and I think they're just now in the process of bringing in immobilizer regulation in the U.S. that matches the Canadian story. I think it's fair to say that there are probably more times when we've followed the U.S. than they've followed us, but we pursue both in the interests of safety.

Excuse me, Chair, am I running out of time?

• (1615)

**The Chair:** Yes, time is up. Be very quick, then.

**Mr. Michael Keenan:** I apologize.

While we do strive for alignment because it reduces the cost of safety, there is also a third class, because there are times when Canada pursues a different regulatory standard. In this regard, I would note the issue of daytime running lights, on which we've come to a different conclusion than the U.S. We think they add safety. There's also the maximum weight for a child in a child restraint system, as we discussed before.

**The Chair:** Thank you very much.

We'll move to Mr. McColeman, please, for the second round.

You have five minutes.

**Mr. Phil McColeman (Brantford—Brant, CPC):** Thank you, Chair.

I'll try to be quick, and I would ask you for short answers.

How long have you been the deputy minister?

**Mr. Michael Keenan:** I apologize for long answers.

Twelve and a half months.

**Mr. Phil McColeman:** Twelve and a half months. The period of time we're talking about here is much longer than your tenure in this position.

**Mr. Michael Keenan:** Yes.

**Mr. Phil McColeman:** Okay.

When you arrived as the deputy minister, did you undertake a personal analysis of the organization, its effectiveness, including in meeting performance standards and, in particular, of management in meeting its performance standards? I ask because just like Ms. Shanahan pointed out, this is a shocking, scathing review of this organization. Did you undertake that kind of analysis?

**Mr. Michael Keenan:** In fact, the Department of Transport is in the final stages of completing a comprehensive review, which is the department's performance in all lines of business, under the guidance of the Treasury Board.

**Mr. Phil McColeman:** How many people work at Transport Canada?

**Mr. Michael Keenan:** As of January 1, 2017, 5,034.

**Mr. Phil McColeman:** That is 5,034 people who work at Transport Canada.

How many, in particular, would be allocated to the division that we're talking about here in terms of transportation safety?

**Mr. Michael Keenan:** I think the whole motor vehicle safety program is about 90 people, Kim? It's about 90.

**Mr. Phil McColeman:** Okay.

When you read the Auditor General's report....

It's nice to come to committee, as we typically do in following up Auditor General's reports at committee, and to be able to talk in a soft way that you agree with. You're taking all of this forward, but why wasn't this recognized sooner in this department when you talked to the senior management people? This is the reason, in many ways, that people like me, who came from the private sector and who ran our own businesses, have such a skewed view of how departments run. This is complete mismanagement.

Would you agree or disagree with that?

**Mr. Michael Keenan:** I would agree that there are significant problems here and that they need to be rectified. The department has undertaken to rectify them and is carefully managing a program to deliver on the plans to which we committed to the Auditor General. Across the entire 5,034 people who work at Transport Canada, at any point in time there are parts of the department and programs that are working excellently, and there are programs that are not working so well. Our internal audit function and the function of the Auditor General is to find the problems, to zero-in, to describe them, to bring transparency to them, and to improve them. We are absolutely committed to doing better and we could have done better in the past. I can't speak to what happened here more than twelve and a half months ago, but I can tell you that we are committed to delivering the highest level of performance possible, and when we find problems like this, we take them very seriously.

• (1620)

**Mr. Phil McColeman:** I don't have a long time left, but as I look around at my fellow committee members—and maybe I'm being like David Christopherson today in his absence—the reality is that it is hugely concerning when an Auditor General discovers that organizations to which taxpayers' dollars go are performing so poorly.

This is not a question, but I'm talking to committee members now while I have time. I think that one thing the committee should do is commit ourselves to another scheduled follow-up on this issue with this deputy minister and his key people here. They've come here and said yes to all of these recommendations, let's put these down and let's get them dealt with. However, we need a performance review of this later on.

Perhaps my question for Mr. Keenan is whether he would agree to come back for a performance review by this committee. This is the function of this committee. We are tasked with making sure that taxpayers' dollars are being spent efficiently in government, and as I said, this is what makes people cynical in the public eye, when they see this kind of report coming out. I know I'm being harsh. I understand that. It's worth getting you on the record, sir, to agree to or say yes to that.

Would you agree to it?

**Mr. Michael Keenan:** Yes.

**Mr. Phil McColeman:** Thank you. I'm finished.

**The Chair:** Thank you very much. That is what this committee does, and I think all of us understand that when we see these strategies to comply with Auditors General reports, we very often follow up with either a letter, a survey, or an invitation to come back.

Thank you for your willingness to come back.

Mr. Harvey, please. You have five minutes.

**Mr. T.J. Harvey (Tobique—Mactaquac, Lib.):** I'm going to start by asking a few questions concerning paragraph 9 in the Auditor General's speaking notes from today. He highlights the deficiencies around long-term planning at Transport Canada, which was what led to the result that Mr. Masse had referred to earlier with the 24 vehicles being carried over in December 2015.

I am wondering if you could elaborate a bit. Can you qualify some of those deficiencies that he's referring to there, and what is the path forward from them?

**Mr. Michael Keenan:** Yes, I'd be happy to. It's a great question because it cuts to the heart of our plan for future work in motor vehicle safety. As indicated by the Auditor General at the time he was looking at this program, there was a reduction in the funds available for the research program, so we were sitting on 24 cars. Since then, a couple of things have happened. There has been an increase in resources in the area and the 24 cars that were waiting to be evaluated have been completely evaluated, and most of them crashed. This led him to say there is not a sufficiently clear, multi-year plan for the research here. We have accepted that and are now working on a multi-year research plan.

I should add by way of context that when the Auditor General is looking at this function, the Department of Transport was going through some acute financial challenges. In that period of time, there were a number of areas in the department where we had to make reductions in planned spending in order to align the resources available for the department with the actual spending of the department. We worked our way through those financial challenges and are bringing greater stability back to this area of the department, as well as many others.

•(1625)

**Mr. T.J. Harvey:** I don't know very much about this area of expertise, so my next question is really just for my own personal interest. Why does Transport Canada buy vehicles to test?

**Mr. Michael Keenan:** Our view is that we could compel the manufacturer to submit vehicles to us, but—

**Mr. T.J. Harvey:** I think that's what taxpayers would think should be happening.

**Mr. Michael Keenan:** —the challenge is that if a manufacturer knows it's going to send its Volkswagen to Transport Canada to test, they might make sure there's nothing wrong with it. Appropriate testing is blind testing. We go in as a mystery shopper. We buy the car off a lot, and nobody has any idea that it's going for testing at Transport Canada. There's no opportunity for manufacturers to play any games and give us a tuned-up car to test.

**Mr. T.J. Harvey:** Why would Transport Canada not come after the manufacturers to reimburse the government for the cost of those vehicles?

**Mr. Michael Keenan:** You put an interesting question out there. One of the key things Transport Canada is looking at is to charge businesses when we provide them services in a number of areas.

I'm not sure it occurred to us to charge them for the cars we buy.

**Mr. T.J. Harvey:** I'm guessing that Transport Canada doesn't generate any revenue from this, but the manufacturers that you're doing the testing for are going to generate revenue whether you test their vehicles or not. They're the ones receiving the revenue from it.

That's why I'm asking that question.

**Mr. Michael Keenan:** We hadn't thought of that, simply because the connection between our buying the car off the lot and the service to the manufacturer is not so immediate, but now that you raise it, I think we should go back and look at it as a possible area in our future cost-recovery plan.

I would submit that you are absolutely correct. When you take a new car off the lot, after you finish evaluating it and crashing it, it's not worth that much.

**Mr. T.J. Harvey:** It's usually about \$2,300 to \$5,000 on GCSurplus.ca. I see them on there quite often.

**Some hon. members:** Oh, oh!

**Mr. T.J. Harvey:** That's it for my questions.

**The Chair:** Thank you.

We'll now move back to Ms. Block, please, for five minutes.

**Mrs. Kelly Block:** Thank you very much, Mr. Chair.

I'm going to go back to some of the questions I had identified from the report. I'm turning to page 16, paragraph 4.47, where the Auditor General said, "We found that Transport Canada developed some standards with little data to support them."

The office goes on to give an example:

For instance, rear-view (or back-up) cameras will become mandatory in the United States in 2018 following a US Congress request to protect pedestrians. Transport Canada officials told us they will follow suit, even with limited data and safety benefits.

Who makes the final decision on the introduction of a regulation such as making reverse cameras mandatory, and why would a decision like this be made without the evidence to support it?

**Mr. Michael Keenan:** Mr. Chair, that's a great question.

I'm going to turn that one over to my colleague, Ms. Benjamin, to go through the details. I think that's one where there is evidence, but we didn't actually present the evidence, which speaks to one of the key recommendations of the Auditor General.

I'll turn it over to Ms. Benjamin to give additional background on that case.

**Ms. Kim Benjamin (Director General, Road Safety and Motor Vehicle Regulation, Department of Transport):** At that point in time, when the audit was being done, we were still gathering data. It is difficult when it comes to rear-view cameras, because collision data is gathered for vehicles on the road, and not for vehicles in parking lots or in driveways, which is where most of these collisions occur.

However, after that point in time the department did receive more data. The cost of the cameras went down, so it started to shift the cost-benefit analysis, and it was appropriate to then put forward in regulation.

•(1630)

**Mrs. Kelly Block:** I noted that the recommendation made by the Auditor General was that Transport Canada should clearly disclose how it used evidence and scientific research to inform its development or modification of motor vehicle safety standards. The department agreed, and it had a target completion date of January 2017.

Can you give us an update, given that you had that target date?

**Mr. Michael Keenan:** On that particular recommendation to implement our commitment, we've changed our regulatory process. Any proposed regulation that we put forward, we articulate clearly in the impact statement the research and the data that we use to inform our proposal to proceed with that.

Kim, what was the first one we've done this on, do you recall offhand?

**Ms. Kim Benjamin:** We just updated the process as of the end of January, so we haven't had the opportunity to fully utilize the new process.

**Mr. Michael Keenan:** The implication would be that the next proposed regulatory change that Transport Canada makes on motor vehicle safety, you would be able to see in the regulatory impact statement, published with it in the *Canada Gazette*, a description of both the data and the research that were used as the basis for this. I'm trying to think of when, but it will be coming soon.

**Mrs. Kelly Block:** Would an individual like me be able to go to that source and see the data that you've used?

**Mr. Michael Keenan:** Yes.

**Mrs. Kelly Block:** I did want to ask a question with regard to the Treasury Board Secretariat's overseeing Canada's expenditure review. My understanding is that it is. Can you tell me, what has this review resulted in, in terms of FTEs and financial resources in the motor vehicle safety directorate?

**Mr. Michael Keenan:** I think two things. If I heard the first part of your question correctly, I think you're referring to the comprehensive review through Treasury Board. We we have completed that process. We have submitted it to Treasury Board. The minister and I presented to Treasury Board ministers a few weeks ago. The final decision on the result of that review has not yet been taken by Treasury Board, but we're anticipating it relatively soon.

As a result, it's difficult to say what that review will mean for the motor vehicle safety program. However, in the work that we've done, we've ensured that our plans and proposals for motor vehicle safety, which we put forward as part of the modernization of Transport Canada, are consistent with our commitments to deliver on the seven recommendations made by the Auditor General.

There's one point I should clarify, and I believe it was part of your question. Because of the financial challenges that Transport Canada had two years ago, we had an adviser from Treasury Board. That adviser finished his work about six months ago, and gave the department recommendations for strengthening financial management. We have implemented his recommendations. There is no longer a Treasury Board adviser in the mix in the management of Transport Canada.

**The Chair:** Thank you, Mr. Keenan.

We'll now move to Mr. Badawey. Welcome to the committee.

**Mr. Vance Badawey (Niagara Centre, Lib.):** Thank you, Mr. Chairman. Like Ms. Block, I'm happy to be here from the Transport Committee to step in to talk about transport. It's good to see all of you folks again as well.

My first question has to do with Mr. McColeman's questioning with respect to performance measures. Looking at the recommendations provided to you by the Auditor General, how is the Transport Department going to come back to this committee, and actually measure the performance based on those recommendations?

**Mr. Michael Keenan:** I think the department would be pleased to come back to the committee at whatever time is suitable for the committee. At that time I would propose, and we'll have to do the work, that we would walk through and specifically lay out and describe the milestones of implementation and action in delivering on the committed plan in each of the seven areas where the Auditor General had concerns and recommended action.

We would just walk through the seven and lay out where we are in results relative to the plan that we committed to in our response to the Auditor General.

• (1635)

**Mr. Vance Badawey:** Through you, Mr. Chairman, Ms. Block asked earlier about the basis on which you make your decisions, and from your answer I took it that it was a triple bottom line approach, with safety being the number one priority. The other priorities,

obviously, are the other two parts of the triple bottom line: the environmental and economic priorities.

With that, and with a lot of these challenges identified by the Auditor General, going back, or before the 12 month period—I'm sure it goes months after that if not years—is this an approach that's going to be consistent moving forward, and will it set the stage to measure the performance that you're going to present to this committee?

**Mr. Michael Keenan:** The short answers would be, yes and yes. I would add, just to elaborate on this point—because I think it's a really important one—that when you have a number of objectives and one of them is safety, you need to determine where safety sits among those objectives. In the operating priorities of the department and according to the direction of the minister, safety is first. In an organization of 5,000 people, as a senior leader, as the deputy minister of the organization, you'll come across a manager who's working with a company that has a safety problem. An inspector might be trying to decide when to take the next step of action on that company.

I do two things as a deputy minister. First, I trust my inspectors and I don't direct them, because that's inappropriate. We emphasize strongly that a safety inspector's job is safety. Some inspectors will be concerned that if they issue an order it could put a struggling company under. But their job is safety, and they have to worry about safety first. These considerations may be valid, but you have to put safety as number one. When we see employees struggling or thinking about trade or the economy, we remind them that they're in the safety business.

Of the 1,447 employees involved in safety oversight in the department, I would say that the vast majority understand that they're in the safety business and safety is job one. We try to reiterate that wherever possible because it's essential to the mission of Transport Canada. We're trying to be a world-class regulator, and in that context, it's safety first.

**Mr. Vance Badawey:** Great, thank you.

In response to the recommendation in 4.91, Transport Canada stated:

Under Bill C-62, Safer Vehicles for Canadians Act (introduced into Parliament on June 2015) and again under Bill S-2, Strengthening Motor Vehicle Safety for Canadians Act (introduced into Parliament on May 2016), new authorities have been proposed that would require companies that make or sell vehicles in Canada to acquire, maintain, and report to the Minister records that would facilitate the identification and analysis of safety-related defects. If the proposed authorities are approved, regulations will be developed to implement approved legislation.

I would ask you to provide examples of regulations the department would develop if the proposed authorities are, in fact, approved.

**Mr. Michael Keenan:** I do this very gingerly because if you're not careful here, you could find yourself contemptuous of Parliament. Bill S-2 is actually coming back, I think, for the transport committee in the near future, and we cannot presume the final result of Parliament's treatment of Bill S-2.

However, should Parliament give royal assent to Bill S-2 in something close to its current form, as the member indicated, one of the areas under consideration would be the ability to compel companies to provide safety information on products sold in Canada but distributed by these companies in their worldwide activities. This is particularly important, for example, in the evolution of new automated autonomous vehicles deployed for the first time in Canada. We have no safety information on them, but they have it in other countries. We will finally have the ability to pull that in.

As to the regs, they would lay out the exact conditions under which the minister could order this, including the kind of data the minister could order as well as the form. Legislation provides an enabling provision, but it doesn't provide all of the details. I'll give you an example. At Transport Canada, we have 52 acts we administer, and we have 350 sets of regs. We try to put the details in the regs. Otherwise, we would be inundating Parliament with 1,000-page bills left, right, and centre. This would be a poor use of your time and result in a poor regulatory structure.

● (1640)

**The Chair:** Thank you, Mr. Keenan.

We'll now move back to Mr. Masse.

**Mr. Brian Masse:** Thank you, Mr. Chair.

Continuing with the regulations, one of the things that's been identified—and I think it's startling, to say the least—is that regulations don't always go through an inclusive consultation process. One of the things that was noted was that sometimes there is no consultative process—or at least it wasn't as robust as it should have been—with consumer groups, medical associations, the police, and other people you'd want to have input on what they're seeing first-hand with regard to automobile safety, accidents, and subsequent responses.

There seems to be a culture problem when you see something like that happening. Is that the case? What has changed, specifically, to prevent regulations from being made without input from consumer groups, associations, and other first responders?

**Mr. Michael Keenan:** I think you've hit on a key issue. I would suggest that in the past, Transport Canada has relied too much on the formal consultation process and the fact that this formal consultation process is for all Canadians. The proposals are published in the *Canada Gazette*; they're published on our website, and we are explicitly inviting comments from all Canadians. We've probably relied a little too heavily on that mechanism and have not been proactive enough. We put it out there for everybody, and then we welcomed comments from everybody. We have taken comments from those different groups on these safety matters, and we have talked to them, but we haven't structured a proactive outreach to target them, to sit down with them in the early stages of our research, and also, once we go to the more formal stages of the regulatory process, once we've put the regs out, to proactively seek their

feedback. I think it's fair. We have committed to do that in response to the Auditor General's concern. And, to give him credit—

**Mr. Brian Masse:** In which way, though? How have you specifically committed to that? I was just curious about it in terms of its structure. Do you now have a biannual review? Are there contacts with the associations? Are there going to be focus groups, where you bring in different associations in the medical/professional fields. Is there a pathway?

**Mr. Michael Keenan:** It will be a combination of them. One key change is that we're going to be more consistent in reflecting what we hear from these different groups, capturing that, and communicating it to others to add transparency to the process.

I think at this point, Kim, you may want to jump in and add a few more details on what we're doing to deliver on this commitment.

**Ms. Kim Benjamin:** We are making some changes in a few different places. We've always had a forward regulatory plan on our website, but it has been there for regulations that are in the drafting stage. We have committed that by the end of April, we will have a three-year plan on the website that shows the regulations before they get to the formal drafting period. In addition, once we get to the point where we start to send out policy papers—

**Mr. Brian Masse:** I want to be clear while I have the last moments of my time. I was talking about how we get in touch with first responders.

I'm not talking about websites and those things. I was looking for specific, concrete action plans on outreach and follow-through dates and so forth. I don't need to hear what's on [Transportcanada.ca](http://Transportcanada.ca) and those things. I think that type of approach was probably a result of the culture that led to the lack of consultation in the first place, as opposed to soliciting a specific way to get first responders and others, the police, for example, into a formal consultative process, and a pathway for that. It appears that we don't have that plan in place.

Thank you, Mr. Chair.

● (1645)

**The Chair:** Your time is up. Would you respond very quickly to that?

**Ms. Kim Benjamin:** It's a multipronged approach, of which the first one was the website. The second is that as we get to the point where we are starting the policy discussions, we will be formally going to each of the key stakeholders who we think would have an interest, anyone who has come to us or anyone on those lists we've been developing.

**The Chair:** And you're encouraging that type of feedback from the first responders?

Okay. Good.

**Ms. Kim Benjamin:** Yes, as we go to the policy side of things.

**Mr. Michael Keenan:** Just to clarify, we'll be proactively reaching out to them in our future regulatory initiatives. Whereas before we waited for them to come to us, now we're going to go to them.

**The Chair:** Thank you.

Mr. Lefebvre, you have five minutes.

**Mr. Paul Lefebvre (Sudbury, Lib.):** Thank you, Mr. Chair.

I'd like to continue the question that my colleague Mr. Badawey raised with respect to the manufacturers' processes to identify and report defects. I know a *projet de loi* is going through the House, Bill S-2.

Mr. Ferguson, I'm looking at your comments when it comes to the manufacturers. In paragraph 10 of your opening remarks, you say:

...manufacturers issued 318 recalls between 2010 and 2015 for safety-related issues that were not brought to the Department's attention...the Department did not have the authority to assess whether manufacturers implemented effective processes for identifying and reporting safety defects. This limited the Department's ability to investigate defects and better protect Canadians.

If they don't have that ability, you recommended that they "should request information from manufacturers on their internal processes for identifying and reporting safety defects", and the transport department said they would try to do that. This recommendation was to be implemented by January 2017. That date has passed. I would like to know if you have implemented this recommendation. It's recommendation 4.94 of the Auditor General's report.

**Mr. Michael Keenan:** Mr. Chair, I think there are two parts to that. In this matter, we have taken some steps that respond directly to the recommendation of the Auditor General that we get manufacturers to provide information on their internal processes. I believe we've written to all of the manufacturers.

Ms. Benjamin, have they responded yet?

**Mr. Paul Lefebvre:** That's what I would like to know.

**Ms. Kim Benjamin:** At this point in time, about one-third of them have responded in giving us the information. We are still in negotiations with the others. They have some questions, and we're having some back and forth. We expect the response rate on this to be very good, but we don't have all the information yet.

**Mr. Paul Lefebvre:** So you would agree with me that the January deadline for this recommendation has not been met? You went out and requested the information. They have not come back to you yet.

**Ms. Kim Benjamin:** That's correct. Our agreement was that we would start the process and make the request by January, and we did do that. Now we're trying to build on that and bring it a further step to see what we can get and how we can use that information, if and when it all does come in.

**Mr. Paul Lefebvre:** Can you provide us with examples of the ones that have responded and respected us?

**Ms. Kim Benjamin:** I don't have that detail with me.

**Mr. Paul Lefebvre:** It's one thing to say that they will participate, but then if they don't give you anything concrete, it's just smoke and mirrors.

**Ms. Kim Benjamin:** Yes.

**Mr. Paul Lefebvre:** Back to you, Mr. Ferguson, what can we do here in going back to the Minister of Transportation to ensure that this is respected, that the follow-ups are done, and that there's actually something tangible behind this?

**Mr. Michael Ferguson:** Thank you, Mr. Chair.

I just want to start with a little bit of a preamble, which is that my sense of what we've heard today goes back into a lot of the history, perhaps, of this program in Transport Canada. I think it has very much been a program that has concentrated on who's doing the regulation: Transport Canada, and whom they are regulating, namely the manufacturers. Now, through these steps that Transport Canada is going to put in place, I think it's going to be an effort to shift the emphasis onto for whom they are doing the regulation. It's not just who is regulating, and whom they are regulating, but it's for whom they are doing the regulation, getting this type of information from the manufacturers about their processes and the types of defects they're looking at, and getting information from other stakeholders. I think all of those types of things will be a good approach to shifting that emphasis onto for whom these regulations are being put into place.

I think we've heard before about the department's coming back and talking about that. I think what they are going through is perhaps a shift in emphasis in how they are going to do some of this regulation. I think the idea of their coming back later on and explaining the progress they've made and being able to demonstrate that would be a good step.

• (1650)

**Mr. Paul Lefebvre:** Thank you.

Very quickly, I just want to understand this. Do the manufacturers only have to do this voluntarily? In your comments, Mr. Auditor General, you said that the department did not have the authority to assess.

My first question is, who does have the authority? Does anybody have the authority? Again, I just want to be reassured. Is this only voluntary? Does nobody have the authority to even ask for this, and we're just hoping that we're going to collect this information?

**Mr. Michael Keenan:** If you'll permit it, Mr. Chair, I'll take a shot at answering this.

This was a clear request. The companies are complying on a voluntary basis. So far we're tracking who is and who is not.

This speaks to Bill S-2. Should Bill S-2 receive royal assent, then Transport Canada would have a much stronger set of authorities and powers to compel information from manufacturers. We put the regulations into place to effect that. For example, there is a new administrative monetary penalty scheme in Bill S-2. Once we've put the regulations in for the information requirements, should a manufacturer refuse, then they would be subject to administrative monetary penalties by the department. That would only after Bill S-2 comes into force, though.

**The Chair:** Thank you very much, Mr. Lefebvre and Mr. Keenan.

Mr. Jeneroux.

**Mr. Matt Jeneroux (Edmonton Riverbend, CPC):** Thank you, Mr. Chair. I won't take the five minutes. I'll give a bit of a preamble and then ask just one question.

First of all, I think you've gotten off a little bit easy with today's committee, mostly because we had requested that you come, as you know, a few weeks ago and we had two of your representatives show up. Being in opposition, we don't get a lot of time to sit here and question deputy ministers, and it's important that all deputy ministers show up. Regarding a lot of what we talked about today, you weren't there at the time of the audit. However, you were there to make the decision to not bring yourself to this committee and to send two representatives. I would recommend that when and every time you come back before this committee, that you come back, because not only has that set us back but we get only two hours in this committee meeting. That's now set us back. We had to cancel that meeting. There was the Auditor General's time. We've now had to push our entire agenda back the equivalent of a week because of that. There were no comments at the beginning about that, and I guess at this point, we're kind of into the committee, so it's kind of late to apologize, but I just want to highlight how important it is that deputy ministers show up before this committee.

That said, I'll move on to my question. You're welcome to address some of that in your answer.

I'm reading from paragraph number eight—and Ms. Shanahan was the first to bring this up—in Mr. Ferguson's statement today, where he said:

...Transport Canada was aware that child seat anchorages could fail under certain conditions, but it had not proposed a new regulation or issued an advisory by the audit completion date. The Department stated that introducing a unique-to-Canada requirement for anchorage strength in passenger vehicles would be detrimental to trade.

To me and, I imagine, to a lot of parents across the country, that's a pretty callous statement about your department's recognizing the impacts on trade. A lot of today's discussion has been about how you react to the trade implications through the U.S., but you gave us one example from approximately a decade ago of how the United States reacted to us. I'm curious as to the percentage of cases in which we forge the direction, but also is there a connection between your department and International Trade? Is there at least, I would hope, a monthly meeting of some sort to connect the two departments? It seems here that your department highlights a safety mandate first, but your department largely reacts to what the international trade department does, with the exception of that one example.

I'll leave it at that for you to comment. Thank you, sir.

That's my time.

• (1655)

**Mr. Michael Keenan:** Mr. Chair, the member raised a number of key issues.

First, I apologize. There was a miscommunication between the department and the committee. We thought the officials we had sent to the last meeting were aligned with the expectations of the committee. It turns out that we were woefully wrong. I apologize for that.

I'm happy to be here today. I am also happy to return at the committee's convenience to follow up on the matters in this report, or on any other matter that the committee sees fit, to bring some sunshine into the operations of our department.

You raised a number of really important questions related to safety performance. I will come back to the point that I, as the head of the department, continue to emphasize when engaging with our safety officials, that although there are many considerations, safety is the top consideration. We come to our safety regulations, our safety inspections, and our compliance and enforcement on the basis that safety is the key priority.

With regard to the issue of child restraint systems and car seats, those test results you're referring to contribute to Transport Canada's view that a child greater than 65 pounds or 30 kilograms is safer in a booster seat with a three-point seat belt than in a child restraint system. That's an area of permanent divergence between Canada and the United States in their regulations of child restraint systems. The reason for that divergence is the basis of safety assessment on the part of Transport Canada. We think that the Canadian regulations generate safer outcomes than the U.S. regulations. Therefore, we are purposely not aligning with the U.S., despite the cost of doing so, because we think that the Canadian regulations for child restraint systems are safer.

I think it's fair to point out that the immobilizer example I used is something that Canada did years ago. The U.S. is just doing it now. I would concede that there are multiple examples on the other side. The U.S. has put in place regulations for electronic stability control in heavy-duty vehicles. There's a really solid body of evidence showing that electronic stability control is effective in reducing accidents, deaths, and injuries. We are looking at following the U.S. in that matter.

We've looked at their studies and data, and when we put them in *Canada Gazette*, part I, we probably didn't put all of the studies in as clearly as we should have, because we've just put that in place. Once we do the revised regulation for *Canada Gazette* part II, we can commit that to actually having in the revised regulatory impact assessment statement the data and the studies to support moving with electronic stability control in heavy-duty vehicles in Canada. I do concede that's one where we are coming in a bit after the U.S. In fact, we are using some American data and studies as part of our data set because it's more efficient than just replicating it for the sake of replicating it in Canada.

• (1700)

**The Chair:** We'll move back to Ms. Shanahan. She's the last one I have.

Mr. Masse, did you have another question? You're good.

All right, Ms. Shanahan, you may have to summarize everything here.

**Mrs. Brenda Shanahan:** Thank you very much, Mr. Chair.

Usually I like to focus on things like the performance measurement, things that the Auditor General has brought up in the past, the quality of data collection, the focus on the end-user, on Canadians as well, on the people who receive government services. I think that's absolutely critical in this stage.

However, when we're talking about the public accounts committee and looking at efficiency and effectiveness, usually we can talk about action plans and measurements and milestones and so on, and that gets the job done. I'm afraid that in this case I have to come back to the essence of the work of this regulatory body and how the work is actually initiated in the stakeholder consultations.

If we return to paragraph 4.30, the Auditor General has noted the following:

Transport Canada frequently did not seek input from stakeholders other than manufacturers. This meant there was little opportunity for others to influence regulatory initiatives. In particular, the Department did not issue public notifications of regulatory proposals for two of the three regulations....

These are discussed in the report, the "Lighting System and Retroreflective Devices" and the "Side Door Strength". The only one that had a notification was the "Occupant Protection in Frontal Impacts".

Something like what we witnessed here today, when my colleague talked about asking the manufacturers to reimburse you for the cars, is something that could come out in an early round table, a let's talk about what we need to be doing kind of thing.

This is an audit that covers the period from January 2010 to September 2016. I'm afraid we're talking about long-standing practices with what sounds like a small group. My colleague Mr. McColeman asked how many people work there, and it's about 90 people. Am I correct?

Again, we see the statement repeated in several places, that it appears that "manufacturers may have exercised a disproportionate influence on regulatory decision making and caused delays in updating the regulations". In fact, it's a concern that some of the

safety inspectors were concerned about the companies themselves, whether they would have economic difficulties.

How can you assure us today that this is going to change?

**Mr. Michael Keenan:** Mr. Chair, first and foremost, I agree with the concerns raised by the member about past activities in the group. We have wholeheartedly accepted the Auditor General's recommendations, and we have already initiated changes.

I can commit to you, as the deputy minister of the department, that we are committed to ensuring that we have a world-class regulatory agency, both in terms of the development of regulations, in terms of compliance, and in terms of enforcement.

There are some areas where we want to do better and we need to do better. This is one of them. We are committed to creating a more transparent and more inclusive consultation process. We've already launched that, in terms of the regulatory process.

I'll be frank with you: we talk lots. I make a point, for example, whenever I'm travelling in the country, in a region, to sit down with the senior management team. I sit down separately with the front-line inspectors. I ask them what's going on. I want to understand the world of our front line of 1,447 people in Transport Canada who are in direct oversight. I want to ensure that they're actually focused on safety in exercising the discretion that we've given them through legislation and regulation.

We are committed to—

• (1705)

**Mrs. Brenda Shanahan:** May I stop you there, Mr. Keenan?

I appreciate that you've been in your function now for a little over a year—12 months or so. Can you tell the committee whether you been brought in on a transformation mandate? Is that part of your role?

**Mr. Michael Keenan:** The minister has a number of priorities for Transport Canada. They start with safety in all domains. They include modernizing the organization. The comprehensive review process referred to a few minutes ago has been an extensive effort over the last year to identify areas where we can improve our regulatory processes and modernize our oversight practices.

I would say that Transport Canada overall does a great job in many areas, but there are areas where we need to do better. The Auditor General has found some in motor vehicle safety. We're committed to doing it in responding to the Auditor General's recommendations.



We're also committed to improving the overall performance of the department as we modernize and transform. We are administering 52 acts, federal pieces of legislation, and 350 sets of regulations. There is a need to modernize a number of those regulations and to improve the speed by which we revise regulations, because in all domains the Auditor General has, I think, correctly noted that in the world of vehicles with the advent of connected automated and autonomous vehicles, the world is changing rapidly. In this area, we're improving our internal management processes in the seven areas the Auditor General recommended. We're also seeking new legislative authorities under Bill S-2 to be able to deliver more effectively on a safety mandate in the context of a motor vehicle world that's being transformed before our eyes.

We are striving on multiple fronts to improve our performance because, quite frankly, if you want to be world class in regulating something, you always have to be improving, and you always have to take on board where things aren't working as they should, as the Auditor General discovered in this area—

**Mrs. Brenda Shanahan:** I appreciate those remarks, and indeed we're entering a whole new world.

On that note, my last question is for the Auditor General.

Mr. Ferguson, are Canadians at risk from what we've heard today in your report, from what we're looking at down the road? Are Canadians at risk when they get into their cars?

**Mr. Michael Ferguson:** Being somebody who drives quite a bit, I think we do have to put this in the context of driving being something that has become safer over the years. I think that's a reality.

But I find it quite concerning that, again, some of the regulatory changes we've identified in this report would take 10 years, and the state of change in the technology now is such that it doesn't wait for 10 years. I think the department has a very significant challenge of making sure that it can adjust its regulatory approach to something that is more nimble so that it can keep up with these types of changes.

When I look at this regulatory system overall, I see one that, in terms of things like lighting standards, is written in a way that in fact prevents some of the new innovative lighting approaches from being used in Canada, but then on the other hand doesn't prevent other types of innovations related to autonomous or semi-autonomous vehicles. I'm not saying that it should or shouldn't prevent something. I'm saying that when you look at the overall regulatory system, on the one hand you see that it can impede some innovation because of the way some of the regulations are written, but then on the other hand it lags the innovation taking place as well.

I think the department has a significant challenge, again, of making sure that it can have a regulatory system that can be nimble enough to adjust to how quickly the technology is changing in this area.

**Mrs. Brenda Shanahan:** Thank you very much.

**The Chair:** Thank you, Ms. Shanahan.

I think that pretty well completes it.

You had one question, Mr. McColeman?

• (1710)

**Mr. Phil McColeman:** It just has to do with Bill S-2, because I know it's at first reading in the House. I know it's a government bill, but can you give us the estimated ongoing financial cost of Bill S-2 if it becomes law?

**Mr. Michael Keenan:** I can't give you that number at this time. I apologize. I don't have it.

**Mr. Phil McColeman:** Okay, thank you.

**The Chair:** Would that be the type of information you could get back to our committee with?

**Mr. Michael Keenan:** We'd be happy to.

**The Chair:** You must have those estimates.

Thank you for coming. I just have a couple of comments and one question.

By the way, thank you for your apology for not being here previously.

We sit here and bring the transport department before us, and we know that you're trying to make vehicles safer and to give Canadians who are purchasing vehicles the confidence that they're safe. I think we all know, especially after last weekend, that we're only as safe as the driver who is behind the wheel. In the United States where you had someone texting as he was driving, there is no vehicle that's going to remove the risk from everyone on the road when it comes to doing that. However, it is important; it's vital that Canadians know that manufacturers have gone through a vehicle safety regime they can be confident in.

I think I know the answer to this, but do you work and use studies with our trading partners? When we export these same vehicles to the United States, is there one group above Transport Canada for the United States and you? You say they've accepted your research and you've accepted theirs. Is that typical?

**Mr. Michael Keenan:** In that context, in the area of transport and my experience in a number of other domains of the government, being smarter about using all the research in the world has been a growing trend among regulatory authorities. In the area of transport, we do work closely with our U.S. counterparts to Transport Canada in sharing research. There's a ten-to-one gearing in the Canada-U.S. dimension. There are greater resources in the U.S. for this type of research than in Canada, so it would be irresponsible not to use it.

At the same time, we have a Canada-U.S. exchange of research and findings in data. Sometimes even though we're smaller, we at Transport Canada can make a big difference. When the safety officials in Ms. Benjamin's area discovered the problem with the Rav4, we jumped on that first. We believe that the recall has saved lives and serious injuries not only in Canada, but also around the world.

There's also a UN system on road transportation safety and UN standards. There's a lot of research that many countries share under the auspices of UN governance on this matter, which also contributes to our being able to bring a lot more research to bear in making our regulatory decisions than we could ever possibly afford in Canada alone.

**The Chair:** I assume that you go out and buy these 30 vehicles and crash them, but the manufacturers are doing the same thing. Is that correct? They're engineering these vehicles. They're doing crash tests as well. They're trying to live up to the regulations that you have, and you're making sure they've done that. Right? They're spending a fair bit of time and effort as well, trying to make their product not have that black mark from Transport Canada as an unsafe vehicle.

**Mr. Michael Keenan:** The answer is yes. We pull information from manufacturers and other government agencies. I don't know how many vehicles the U.S. agency crashes. I'm pretty sure they crash a lot more than we do—don't they, Kim? The manufacturers have a lot of information as they're developing vehicles, and for sure they do their own crash testing.

We have a centre in Blainville, Quebec, our crash test centre, the place where we crash all our vehicles. In fact, a private company operates it on our behalf. That private operator will crash test vehicles on behalf of companies using that facility. It's not quite the same as getting companies to pay for the cars that we crash, but they effectively pay us for using our crash test centre for their research, while we use the same one. We just have to get them to pay for the vehicles tested.

• (1715)

**The Chair:** I'm not sure you do. I may respectfully disagree with Mr. Harvey on that.

I know what happens when you all of a sudden give government the ability to abscond after they've done all their crash tests. Now you're going to have them...30 vehicles. Next year it will be 75, and the next year, 90. These guys are all....for every level of vehicle that they have, I would assume.

We hope you're going to meet the mandate that you've received from the Auditor General, through his report, and that you've given to us today. We look forward to another performance report on the way that you're coming along with these new methods of making sure that we have safety within the automotive sector.

Thank you for being here today and clarifying that for us.

We're going to suspend for about two minutes and then come back to committee business. It should take us less than two minutes to pass one quick motion so we can come here for our Wednesday meeting.

So we will suspend. Thank you all for your presence here today and for the words that you've given us.

• (1715)

\_\_\_\_\_ (Pause) \_\_\_\_\_

• (1715)

**The Chair:** We'll call this meeting back to order.

We are in public. We didn't go in camera. We'll just take the last few moments to deal with committee business, with one motion that has come up.

Maybe I'll have our clerk brief the committee again on this motion and why we need to deal with it quickly.

**The Clerk of the Committee (Mr. Michel Marcotte):** Thank you, Chair.

Basically, it's because the members of the committee decided to study the main estimates of the Office of the Auditor General this Wednesday. Every year some documents are tabled in the House. Most of them are referred to this committee, but one is not. The main estimates for this year were tabled on March 21, and they were referred to the committee. That's one thing.

The departmental plans, which used to be the reports on plans and priorities, were also tabled on March 9 and referred to this committee. Now, another very interesting document that's at the end of the budget process, the performance reports, are tabled every year. They are tabled in the House, but they are not referred to the committee. This document has been available since last November, I think; and the one we would be studying is the performance report for 2015-16, for the end of a year and half ago.

To do that, we just need a little motion saying that we want to study this. These three documents would be part of the main estimates process.

• (1720)

**The Chair:** Okay.

Maybe we'll just go to our analyst first. They wanted to make a very short presentation.

**Mr. Dillan Theckedath (Committee Researcher):** Thank you, Chair.

Although they were not referred—that's a procedural matter, which we're not quite familiar with—we had already prepared a briefing note for the estimates. That briefing document includes the departmental plan, as it's now known, as well as the performance report of 2015-16. That's already included in the brief. It has been translated. I don't know if it's been distributed.

It's ready. These are in the briefing notes, and questions and analysis pertaining to that are included. We just wanted to let the committee know this.

**The Chair:** All right.

Mr. McColeman.

**Mr. Phil McColeman:** Mr. Chair, I'm pleased to put the motion to the committee that pursuant to Standing Order 108(2), the committee undertakes a study of the performance report 2015-16 of the Office of the Auditor General of Canada.

**The Chair:** All right.

Are you ready for the question? Is there no other discussion or debate?

Okay.

(Motion agreed to)

**The Chair:** It carried unanimously.

Mr. Badawey.

**Mr. Vance Badawey:** Mr. Chairman, I know I'm new to the committee, this being my first and only time I've been here. Usually I'm on the transport, infrastructure and communities committee, as well as the scrutiny of regulations committee. One thing that caught me by surprise today was the fact that when there was an opportunity, the chair took it to comment on some of the discussions that were happening, especially as they related to the witnesses.

Is that normal? I know that on my committees, the chair doesn't give opinions. Albeit as a Conservative, or on my other committees as a Liberal, it could be taken as being partisan, and possibly not. However, I guess the norm is that the chair usually chairs the meeting but doesn't give opinion.

Is it normal on this committee for the chairman to give an opinion?

**The Chair:** The quick answer is yes. We have a chair's prerogative, and what we do is the following. Many times, I will sit here and ask my analysts if there is a question, as we prepare our report, that we need asked to get a response that hasn't been made yet. I think if you go back and look, you will see, first of all, that we're a very non-partisan committee and, typically, you'll never get a partisan comment made here. If there's a partisan comment, we'll pass that on to the other parties to make.

**Mr. Vance Badawey:** That's what I'm getting that. With that, my second question would be, does the chair get a vote even if there's no tie, or only when there's a tie?

**The Chair:** No, only when there's a tie.

**Mr. Vance Badawey:** However, the chair can still give comment on debate.

**The Chair:** Yes, a chair can give comment on whatever. In fact, the chair can say absolutely anything unless there is a point of order. Then if there is a point of order on what the chair says, or on what anyone says, then they can be called into question. There's a challenge of the chair. In fact, today I asked Dillan, "Is there something that we need to bring up that you may want to have in a report?" That's the way that we operate here.

**Mr. Vance Badawey:** Thank you.

**The Chair:** Thank you.

All right, Mr. Masse.

**Mr. Brian Masse:** I was just going to reinforce the point that that has been the tradition of the House, and also of other committees, such as the industry or innovation committee at times.

**The Chair:** In fact, I would encourage you to go back in *Hansard* and look at when Mr. Christopherson chaired this committee, and I'm sure you'll find there was an occasional comment made. Thank you, though, for the question.

Go ahead, Ms. Mendès.

● (1725)

**Mrs. Alexandra Mendès:** Thank you very much, Mr. Chair.

To go back to your point, Vance, Phil McColeman is the only one here right now who was with us then, but this is very much how the British committees work. The chairs have a great deal of leeway in how they ask and direct questions to witnesses. We are trying to become a little more British, so we're adopting that approach here.

**The Chair:** Thank you.

We are adjourned.

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