



SÉNAT | SENATE
CANADA

REPORT ON THE
SUPPLEMENTARY ESTIMATES (A), 2020–21
Standing Senate Committee on National Finance

THIRD REPORT

Chair
The Honourable Percy Mockler

Deputy Chair
The Honourable Éric Forest

June 2020

ORDER OF REFERENCE

Extract from the *Journals of the Senate* of Tuesday, June 16, 2020:

With leave of the Senate,

The Honourable Senator Gagné moved, seconded by the Honourable Senator Gold, P.C.:

That, notwithstanding any provision of the Rules or usual practice, the Standing Senate Committee on National Finance:

1. be authorized to examine and report upon the expenditures set out in Supplementary Estimates (A), 2020-21, tabled in the Senate on June 16, 2020;
2. be authorized, in light of the exceptional circumstances of the COVID-19 pandemic, to meet by videoconference or teleconference, if technically feasible, for the purposes of its studies of estimates as authorized by paragraph 1 or as already authorized by the Senate, subject to the provisions of the order of April 11, 2020, respecting its study of certain issues relating to legislation and government actions in response to the pandemic;
3. have the power to meet for the purposes of its studies of estimates as authorized by paragraph 1 or as already authorized by the Senate, even though the Senate may then be sitting, and that rule 12-18(1) be suspended in relation thereto; and
4. be permitted to deposit electronically with the Clerk of the Senate any reports on studies of estimates as authorized by paragraph 1 or as already authorized by the Senate, if the Senate is not then sitting, with the reports then being deemed to have been tabled or presented in the Senate.

The question being put on the motion, it was adopted.

Richard Denis

Interim Clerk of the Senate

As part of its oversight role, the Standing Senate Committee on National Finance considered the *Supplementary Estimates (A), 2020–21*, which were tabled in the Senate and referred to our committee for study on June 16, 2020. These supplementary estimates request Parliament's approval for an additional \$6.03 billion in voted expenditures and increase forecasted statutory expenditures by \$80.92 billion, for a total increase in budgetary expenditures of \$86.96 billion.

In order to examine the *Supplementary Estimates (A), 2020–21*, our committee held one meeting and examined the estimates of six organizations that are requesting total appropriations of approximately \$2.7 billion, which is 44% of the total voted amount requested in these supplementary estimates.

The necessary COVID-19 restrictions limited our committee's usual more thorough detailed debate. Nonetheless, members questioned officials from these six organizations in a virtual meeting format.

Our committee's observations from issues raised during our meeting include:

1. **Innovation, Science and Economic Development Canada (ISED)** is requesting additional authorities of \$628.4 million, including \$192.2 million for emergency research and innovation response measures and \$375.6 million for the national medical research strategy.

Officials from ISED said the funding for emergency research and innovation response measures would be used to support Canadian companies that pursue large-scale and later-stage research programs. They highlighted three companies that have funded research in areas such as antibody-based treatment, plant-based vaccines and additional vaccine production capacity. On the other hand, the national medical research strategy will be used to support vaccine and therapy trials led by the private sector, as well as viral genome sequencing and tracking efforts.

Our committee appreciates ISED's efforts in supporting Canadian research and manufacturing capacity, especially given the risk of over-reliance on overseas medical supplies. However, we also urge ISED to act with prudence in its funding decisions in order to ensure appropriate value for money, and to develop metrics to evaluate the success of these collaborations.

2. The **Public Health Agency of Canada (PHAC)** is requesting additional authorities of \$2.3 billion, including \$2.26 billion in statutory authorities related to the *Public Health Events of National Concern Payments Act* that will be used for medical supplies, research and services. In addition, PHAC is requesting \$42.3 million in voted authorities to establish domestic production of personal protective equipment (PPE), and to support Canada's medical countermeasures response in collaboration with ISED.

Officials from PHAC told us that currently every country is heavily dependent on overseas manufacturers. However, efforts are being made to move Canada towards domestic production of PPE. They added that out of the \$42.3 million requested voted authority, \$37 million will be used for this effort. A number of Canadian companies have responded and retooled to producing PPE.

While our committee is encouraged by the government's effort to shift to domestic production of PPE, as well as the private sector's quick response, we believe that for the sake of transparency, the government needs to periodically publish the details of its collaboration with private companies by province and territory.

3. **Indigenous Services Canada** (ISC) is requesting \$1.7 billion in total authorities, including \$950 million in statutory authorities pursuant to the *Public Health Events of National Concern Payments Act* to support Indigenous communities' efforts in combatting the COVID-19 pandemic. ISC is also requesting \$753 million in voted authorities, including two major items: \$468 million for Child and Family Services program, and \$209 million for services for First Nations children under Jordan's Principle.

Significant questions were asked regarding the details of the programs and expenditures including the numbers of children in care, the amounts provided to families in terms of basic income guarantee, as well as the allocation of funding on reserve and off reserve. Our committee looks forward to receiving the written responses from the officials. We are particularly concerned that some of the performance indicators to measure the impact of the funding are not expected to be established until March 2021, and that the dates to achieve these targets have yet to be established.

Officials from ISC told our committee that in response to the COVID-19 pandemic, their approach is to allow for maximum flexibility for First Nation communities so that they can have local solutions, which often yield the best result.

Officials also acknowledged that the pandemic has had a significant impact on ISC's operations, including the suspension of some infrastructure investments due to the closure of communities. Additionally, while officials believed they are now more prepared to support Indigenous communities in responding to the pandemic due to their increased capacity and deepened partnerships, they admitted that the health crisis does demonstrate inequities in access to health services, and there is much more to be done.

While we welcome additional funding for Indigenous communities, our committee believes the funding for these programs is merely addressing the symptoms, instead of the root problems of the inequities facing Indigenous people.

4. The **Department of National Defence** (DND) is requesting \$586 million for the Joint Support Ship project to acquire complex items, such as engines, and to finalize ship design. Officials from DND informed us that the first ship would be delivered in mid-2023 and the second in 2025, with a total project budget of \$4.1 billion.

We are concerned about DND's management of this project, as the first ship was supposed to be delivered in 2019 and the cost has increased from an earlier estimate of \$3.4 billion. In our view, this fits into a larger pattern of cost overruns, delays and operational difficulties that have led many to question the ability of successive governments to effectively procure equipment for the Canadian Armed Forces in a timely and efficient way.

Additionally, our committee has been requesting for three years a detailed breakdown of capital spending under DND's 20-year defence plan, *Strong, Secure, Engaged* (SSE). We note that an internal audit found that DND had limited dedicated resources to coordinate and monitor the

implementation of SSE, and senior defence officials were not receiving clear and accurate information about the state of the plan. We will be requesting the appearance of DND's deputy minister to explain the management of SSE and delays in providing information to our committee and to the Parliamentary Budget Officer.

5. **Public Services and Procurement Canada (PSPC)** is requesting \$203 million for the Phoenix pay system to sustain employee capacity, increase its processing rate and increase the automation of transactions.

Officials told us PSPC has managed to decrease the backlog of pay transactions by 64% since January 2018. However, we are concerned that the system is not yet fully stabilized four years after its launch and may require further funding.

PSPC is also forecasting payments of \$500 million under the *Public Health Events of National Concern Payments Act* to purchase personal protective equipment (PPE) and health supplies.

Officials informed us that most of the equipment was coming from China and the United States. They have also reached contracts with 27 manufacturers to fabricate supplies, such as face shields, gowns and ventilators, in Canada.

Officials committed to providing us with a vendor list by country, province and territory, as well as which ones are Indigenous owned.

6. The **Canadian Air Transportation Authority (CATSA)** is requesting \$312 million for aviation security screening services, to expand the use of full-body scanners and to support negotiations on the transition of CATSA to an independent, not-for-profit entity. Officials noted that CATSA is absorbing the cost within its current budget of checking body temperatures at screening checkpoints in Canada's largest airports.

They explained that Transport Canada is leading negotiations with Canada's major airlines and airports to sell CATSA's net assets to a new, private not-for-profit corporation referred to as the Designated Security Authority. CATSA is supporting Transport Canada by providing documentation and expertise. We were informed that the ongoing pandemic has created uncertainties regarding negotiations.

Given the current precarious state of finances of both airlines and airports, we believe the government should proceed cautiously in its planned sale of CATSA and avoid burdening the aviation industry with additional costs. Additionally, Transport Canada and CATSA should appear before our committee in the near future for a detailed discussion of the plans and expenditures regarding the independent not-for profit entity.