



**REPORT ON THE  
SUPPLEMENTARY ESTIMATES (A), 2021–22**

**Standing Senate Committee on National Finance**

**SIXTH REPORT**

The Honourable Percy Mockler, Chair  
The Honourable Éric Forest, Deputy Chair  
The Honourable Marty Klyne, Deputy Chair  
The Honourable David Richards, Member of the Steering Committee

June 2021

## **MEMBERS OF THE COMMITTEE**

The Honourable Percy Mockler, Chair  
The Honourable Éric Forest, Deputy Chair  
The Honourable Marty Klyne, Deputy Chair  
The Honourable David Richards, Member of the Steering Committee  
The Honourable Peter M. Boehm  
The Honourable Jean-Guy Dagenais  
The Honourable Marty Deacon  
The Honourable Pat Duncan  
The Honourable Rosa Galvez  
The Honourable Tony Loffreda  
The Honourable Elizabeth Marshall  
The Honourable Larry W. Smith

### ***Ex-officio members:***

The Honourable Marc Gold, P.C. (or Raymonde Gagné) and the Honourable Donald Neil Plett (or Yonah Martin)

### ***Other Senators who participated in the study:***

The Honourable Senators: Donna Dasko, Lucie Moncion and Kim Pate

### ***Parliamentary Information and Research Service, Library of Parliament:***

Sylvain Fleury, Analyst  
Shaowei Pu, Analyst

### ***Committees Directorate:***

Maxime Fortin, Clerk of the Committee  
Louise Martel, Administrative Assistant of the Committee

## ORDER OF REFERENCE

Extract from the *Journals of the Senate* of Tuesday, May 27, 2021:

With leave of the Senate,

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

That the Standing Senate Committee on National Finance be authorized to examine and report upon the expenditures set out in the Supplementary Estimates (A) for the fiscal year ending March 31, 2022; and

That, for the purpose of this study, the committee have the power to meet, even though the Senate may then be sitting or adjourned, and that rules 12-18(1) and 12-18(2) be suspended in relation thereto.

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

*Interim Clerk of the Senate*

Gérald Lafrenière

## 1 INTRODUCTION

This particular year marked by the COVID-19 pandemic has had immense impacts on Canadians' personal finance as well as Canada's national finance. As usual, the committee is guided by the principles of transparency, accountability, predictability, and reliability, which are particularly important at all times but especially at a time of great expenditure during a national crisis. Under this context, as part of its oversight role, the Standing Senate Committee on National Finance considered the Supplementary Estimates (A), 2021–22, which were tabled in the Senate and referred to our committee for study on May 27, 2021. These supplementary estimates request Parliament's approval for an additional \$24 billion in voted expenditures and increase forecasted statutory expenditures by \$17.2 billion, for a total increase in budgetary expenditures of \$41.2 billion.

In order to examine the Supplementary Estimates (A), 2021–22, our committee held three meetings and examined the estimates of six organizations that are requesting total voted appropriations of approximately \$15.6 billion, which represents 65% of the total voted amount requested in these supplementary estimates.

## 2 OBSERVATIONS

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

1. **Treasury Board of Canada Secretariat (TBS)** is requesting additional voted authorities of \$626 million, including \$600 million for operating and capital budget carry forwards.

Officials from the TBS said that departments are permitted to carry over 5% of the lapse of their operating budget and 20% of the lapse of their capital budget. Central votes are created to facilitate the provision of these carry-forward amounts. The large amount of carry forwards included in these estimates was the result of the supply disruptions caused by the COVID-19 pandemic.

The Supplementary Estimates (A), 2021–22 included \$29 billion in planned expenditures related to Budget 2021. Officials explained that the measures announced in Budget 2021 were first included in the Supplementary Estimates (A), 2021–22 because the Main Estimates had already been tabled at an earlier fixed date when Budget 2021 was released. The TBS later provided to the committee in writing a summary of the Budget 2021 items in the Supplementary Estimates (A), 2021-22.

Speaking on the subject of accountability and transparency, officials reminded the committee that these supplementary estimates are one part of a broad set of reports, including the Main Estimates, the Departmental Plans, the Fiscal Monitor, the Departmental Results Reports and the Public Accounts. The federal government also reports through GC InfoBase, an interactive online tool.

While our committee recognizes the progress that the TBS has made, we encourage the TBS to continue its efforts on improving its disclosure of information as some deficiencies remain. Notably, the TBS needs to ensure that the estimates are better aligned with the budget, and that budget items are properly identified in the estimates.

2. **Canada Mortgage and Housing Corporation (CMHC)** is requesting additional voted authorities of \$1.8 billion, including \$1.47 billion for the Rapid Housing Initiative.

Officials from CMHC said the Rapid Housing Initiative was designed in response to the COVID-19 pandemic to create quality housing units for vulnerable Canadians most affected by the pandemic, including those who are homeless or near homelessness as well as women and children, within 12 months by employing accelerated building techniques such as modular housing. Officials added that the initial \$1 billion in funding for this initiative in 2020 has led to agreements to create 4,700 units. The requested funding would extend this initiative and create an additional 4,500 units. Furthermore, 25% of the funding would be used to support rapid housing for women and children.

Speaking on rising housing prices in Canada, officials told us that, unlike prior recessions, housing prices continued to increase during the COVID-19 pandemic. While CMHC in this initiative mainly focuses on housing for the most vulnerable, it is nevertheless concerned about the excessive mortgage debt that some Canadians have taken on as a result of higher housing prices. Additionally, the officials explained that these housing price increases exacerbate socio-economic inequality and the divide between younger and older generations. CMHC is supportive of the recent changes that the federal government made to the stress test and the qualifying rate for guaranteed mortgages as they are necessary to curb rising housing prices, while recognizing that unfortunately they reduce the buying power of young Canadians. In CMHC's view, the best way to address this issue is to strive for increases in housing supply. As the barriers that prevent speedy housing development are often local issues, the committee strongly encourages CMHC to work with provinces, territories and municipalities to address these barriers.

Regarding housing affordability, officials from CMHC said that they use the common definition that people should not spend more than 30% of their income on housing costs. However, they are cognizant of the variable affordability in different municipalities and regions across Canada. CMHC tries to build in flexibility into its programs to take local concerns and affordability into consideration.

On the escalation of construction costs, officials told us that, through their delivery of the National Housing Strategy, they have noticed increases in construction costs such as the cost of lumber caused by supply chain disruptions and labour shortages. Nevertheless, officials assured us that while the price escalation is difficult to determine, they have a contingency built into the estimates and have no concerns about reaching their targets within budget.

Our committee is concerned about the housing affordability across Canada, particularly among those who are most severely impacted by the COVID-19 pandemic, including vulnerable and low- and fixed-income Canadians, as well as young Canadians. We urge the federal government to work with provinces, territories and municipalities to find innovative solutions to address this urgent and persistent affordability issue.

3. **Employment and Social Development Canada (ESDC)** is requesting additional voted authorities of \$3.4 billion, including \$877 million for early learning and child care, \$400 million for the Community Services Recovery Fund, \$333 million for a comprehensive training strategy to drive the economic recovery, \$320 million to establish a Canada-wide early learning and child care system, \$298 million for the Reaching Home Initiative, and \$240 million for the Student Work Placement Program. ESDC also presents statutory authorities of \$9.45 billion, including \$950 million in Payments for the Canada Recovery Benefit pursuant to the *Canada Recovery Benefits Act*.

Officials from ESDC explained that as labour market conditions vary in Canada, the country is divided into different zones to ensure similar levels of Employment Insurance (EI) coverage for people facing similar labour market conditions. However, there are two zones in Prince Edward Island, which is intended to reflect different situations in the province. Officials added that there is currently an EI boundary review underway led by the EI commission to study the propriety of the current regional boundary definition system. Once the review is completed, the federal government will be able to decide whether these zones should be changed. Our committee invites the federal government to accelerate its review process and consider the reality of seasonal industries. Additionally, officials noted that Budget 2021 announced that consultations on the future of EI will commence this summer. Officials said that ESDC was aware of the situation regarding EI zones in Prince Edward Island, but ESDC's responses to the COVID-19 pandemic has taken priority over other matters.

Officials told us that ESDC's youth programing investments include the Youth Employment and Skills Strategy, a grants and contributions program that works with youth-serving organizations to support young Canadians who need help to enter the labour market. They also include the Student Work Placement Program which, through industry associations, helps students to receive on-the-job experience such as co-ops and job placements.

Officials told us that they are currently in the process of beginning negotiations with provinces and territories regarding the early learning and childcare program that was announced in Budget 2021. Officials stated that while the federal government preferred the funding to be primarily for non-profit childcare, it did recognize the role played by for-profit or market-based childcare in the existing system. Additionally, officials said that the \$420 million funding announced in the *Fall Economic Statement 2020* for the retention and recruitment of early learning and childcare educators will be provided through bilateral agreements between the federal government and the provinces and territories to allow them to address their unique challenges. Officials also explained that the new federal secretariat is intended to enhance the capacity of the federal government to work with provinces and territories in support of the announcement in Budget 2021. Provinces and territories can also use up to 10% of the federal funding to support their own administrative costs.

While our committee commends the federal government's efforts in addressing urgent matters related to the COVID-19 pandemic, we note that many socio-economic issues have existed long before the pandemic. For example, emergency direct income supports, and housing initiatives have underscored the need for similar ongoing and systemic measures to address longstanding issues of poverty, homelessness, and precarious housing. As the economy reopens, our committee therefore urges the federal government to work with the provinces and territories to address these long-term issues and ensure the prompt implementation of its programs.

4. **The Department of Finance** presents additional authorities of \$5.6 billion, of which \$5.4 billion are budgetary statutory authorities, \$224.4 million are non-budgetary statutory authorities and \$394 thousand are voted authorities. The budgetary statutory authorities include \$4.0 billion for payments related to the Canada Health Transfer, \$1.0 billion for Canada's COVID-19 immunization plan, \$348.1 million for interest on unmatured debt and \$87.7 million for other interest costs.

Questions were raised about interest charges on federal debt. Officials from the Department of Finance explained that the \$348.1 million<sup>i</sup> earmarked for interest on unmatured debt represents an upward adjustment to the \$20.9 billion in interest costs projected in the 2021-2022 Main Estimates.

According to Department of Finance officials, the \$4.0 billion for the Canada Health Transfer and the \$1 billion for Canada's COVID-19 immunization plan will help the provinces and territories address the immediate health care system pressures caused by the pandemic and roll out COVID-19 vaccines.

The committee believes it is important for the federal government to support the provinces and territories in the fight against the COVID-19 pandemic, and it recognizes that health care is a matter of provincial jurisdiction. The committee is asking for transparency and accountability by all governments for the expenditure of these funds.

5. **The Department of Indigenous Services** is requesting a total of \$5.4 billion in additional budgetary authorities, of which \$2.1 billion is for the federal government's response to the COVID-19 pandemic in Indigenous communities, \$1.2 billion is for out-of-court settlements, and \$1.1 billion is for First Nations child and family services, Canadian Human Rights Tribunal orders implementation and non-compliance motion settlement.

Officials from Indigenous Services Canada (ISC) said that, since the beginning of the COVID-19 pandemic, the department has been working closely with First Nations communities, the Public Health Agency of Canada, and provincial and territorial governments to protect the health and safety of Indigenous peoples. They said that the \$2.1 billion requested under the Supplementary Estimates (A), 2021–2022 would go toward the federal government's COVID-19 pandemic response by funding various support programs for Indigenous communities. This includes \$760.6 million in funding for the Indigenous Community Support Fund, \$619.6 million for public health measures,<sup>ii</sup> \$332.8 million for Indigenous communities affected by disruptions to their revenues, \$186.5 million to support businesses, \$138.3 million for children to be able to continue attending school safely, \$75.3 million for post-secondary students and \$18.7 million to improve ventilation in public buildings.

A number of questions were asked about the details of programs for First Nations child and family services, for which \$1.1 billion is requested in the Supplementary Estimates (A), 2021–2022, including the number of children in care and the amounts paid to child protection services and to prevention services, that is, the work that is done up front to prevent children from going into care. ISC officials told us that, of the \$1.1 billion, \$488.3 million is for Canadian Human Rights Tribunal orders implementation, and \$575.7 million is for non-compliance motion settlement. Our committee is waiting for written responses from ISC officials, who agreed to provide more detail in response to committee members' questions. We are particularly interested in the performance indicators ISC will use to measure the impact of federal funding on the well-being of Indigenous children. Given ISC's comment that a basic income guarantee is something that governments have been considering, the committee is also interested in details regarding the ISC's First Nations-led engagement on income assistance on this point, particularly in light of emphasis on this type of measure as a priority for the National Action Plan on Missing and Murdered Indigenous Women.

6. **Public Health Agency of Canada (PHAC)** is requesting additional voted authorities of \$4.4 billion, including \$1.5 billion for medical research and COVID-19 vaccine developments and

\$1.1 billion for border and travel measures to address COVID-19. In particular, PHAC is requesting \$556.2 million for medical countermeasures in collaboration with the Canadian Institutes of Health Research, the National Research Council of Canada, and Innovation, Science and Economic Development Canada. These funds will be used to procure newly authorized therapeutics for treating COVID-19, fund related research and development, and implement a biomanufacturing strategy.

PHAC officials said that the \$1.5 billion requested in the Supplementary Estimates (A), 2021–2022, for funding medical research and vaccine development is a reprofiling of funds from the \$9.2 billion approved by Parliament as part of the Supplementary Estimates (B), 2020–2021, which were not spent during the 2020–2021 fiscal year. Of this amount, \$1.2 billion would be used to procure vaccines, \$130 million would go to COVAX,<sup>iii</sup> and \$85 million would go to purchase therapeutics.

According to PHAC officials, the \$1.1 billion for border and travel measures and isolation sites to address the COVID-19 pandemic is broken down by the following three items: \$513.8 million for the testing program at airports and land points of entry, \$504.7 million for designated quarantine facilities, screening officers and operations at the border, and \$40 million for voluntary isolation sites.

When asked about Canadian border management, officials explained to the committee that proof of vaccination is one option that could facilitate international travel. They also said that the federal government has been working with other governments and international bodies, including the provinces and territories, to consider the policies and technical considerations for vaccine certificates.

Unlike what we were told last year, according to a recent Office of the Auditor General of Canada report, PHAC “was not as well prepared as it could have been [for the COVID-19 pandemic].”<sup>1</sup> Furthermore, the report stated that PHAC’s “Global Public Health Intelligence Network (GPHIN) did not issue an alert to provide early warning about the virus that would become known as causing COVID-19.”<sup>2</sup>

PHAC officials said that the Minister of Health had asked an independent expert panel to look into these matters, and its report would be made public in June 2021.

While our committee recognizes the important work carried out by PHAC as part of the COVID-19 response, it has concerns about PHAC’s level of preparedness for responding to future public health emergencies, given the major gaps in this area revealed by the pandemic. The committee looks forward to considering the report of the independent expert panel and may continue its study on this matter.

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<sup>1</sup> Office of the Auditor General of Canada, “[Pandemic Preparedness, Surveillance, and Border Control Measures](#),” Report 8 of the 2021 Reports of the Auditor General of Canada to the Parliament of Canada, para. 8.13.

<sup>2</sup> Ibid., para. 8.67.



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<sup>i</sup>Note that public debt charges in the Main and Supplementary Estimates are presented on a modified cash method of accounting and exclude certain accrual expenses.

<sup>ii</sup> According to the Supplementary Estimates (A), 2021–2022 (pp. 2-35 to 2-36): Funding for the continuation of public health responses in Indigenous communities (COVID-19) (Budget 2021), \$477,093,447, and Funding for the continuation of public health responses in Indigenous communities (COVID-19), \$142,482,510.

<sup>iii</sup> COVAX is a global vaccine-sharing initiative jointly co-ordinated by the World Health Organization (WHO), the Coalition for Epidemic Preparedness Innovations, and Gavi, The Vaccine Alliance. According to the WHO, the goal of COVAX is “to accelerate the development and manufacture of COVID-19 vaccines, and to guarantee fair and equitable access for every country in the world.”