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## Standing Committee on Fisheries and Oceans

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**Tuesday, February 20, 2007**

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**Chair**

Mr. Gerald Keddy

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Tuesday, February 20, 2007

•(1105)

[English]

**The Chair (Mr. Gerald Keddy (South Shore—St. Margaret's, CPC)):** Pursuant to Standing Order 108(2), we are undertaking a study on chapter 4, “Managing the Coast Guard Fleet and Marine Navigational Services—Fisheries and Oceans Canada”, of the February 2007 report of the Auditor General of Canada.

I'd like to welcome our guests. We have a few more members to arrive, but it is eight minutes past the hour of eleven and we only have two hours. I'm sure the membership will have all kinds of questions for our guests.

I would like to welcome Sheila Fraser, Auditor General of Canada; John O'Brien, principal; and Kevin Potter, director.

From the Department of Fisheries and Oceans, we welcome George Da Pont, Commissioner of the Canadian Coast Guard; Larry Murray, deputy minister; and Charles Gadula, Acting Deputy Commissioner of the Canadian Coast Guard.

I would also like to welcome two guests here today, Jake Vanderhide and Georges Cormier from the Pacific Halibut Association, who are here just to take in the proceedings of committee today.

I will ask the Auditor General, if she would, to start.

**Ms. Sheila Fraser (Auditor General of Canada, Office of the Auditor General of Canada):** Thank you, Mr. Chair.

We thank you for this opportunity to discuss chapter 4 of our February 2007 report.

As you mentioned, I am joined today by John O'Brien and Kevin Potter, principal and director respectively from our Halifax office, who are responsible for this audit.

In this chapter we concluded that Fisheries and Oceans Canada, more particularly the Canadian Coast Guard, has not made satisfactory progress over the last four to six years in implementing recommendations made in chapter 31, “Fleet Management”, of our December 2000 report, and in chapter 2, “Contributing to Safe and Efficient Marine Navigation”, of our December 2002 report.

The coast guard plays a number of important roles. It provides marine navigation services, such as aids to navigation and marine communications, to mariners in Canadian waters.

The coast guard uses its fleet of large vessels to deliver its own programs, such as icebreaking and offshore search and rescue. These vessels also support other departmental programs, such as science

and fisheries management. In addition, the fleet assists other government departments when requested to do so.

In the 2005-06 fiscal year, the cost of fleet services totalled about \$344 million. The cost of marine navigational services was about \$245 million, including costs allocated from the fleet.

In our earlier reports, we concluded that Fisheries and Oceans Canada had not managed its fleet and marine navigational services cost-effectively. In response to the problems we noted in 2000 and 2002, we made 13 recommendations for improvement, 12 of which remain the department's responsibility.

The department accepted all of these recommendations and made a commitment to take action.

After concluding that progress was unsatisfactory, we focused our attention on identifying the underlying causes.

[Translation]

We found that the coast guard started a number of initiatives, many of which were designed to address issues that we previously raised. However, the coast guard has not been able to complete these initiatives. We believe that there are three fundamental reasons for this lack of progress.

First, the coast guard accepted assigned duties even when there was no realistic way that it could successfully deliver. For example, it proceeded with implementing the coast guard as a special operating agency. With an already stretched management team, the coast guard developed an implementation plan without having the resources needed to support its completion. Not surprisingly, we found that many elements of this plan were unfinished well after the expected completion date.

Second, the coast guard did not prioritize its actions. For example, the coast guard attempted to address all of our recommendations to improve management of its fleet at once. These initiatives stalled at various stages of completion.

Finally, while the coast guard made commitments to resolve management problems and complete initiatives, both organizational and individual accountability for achieving results were lacking.

●(1110)

[English]

On April 1, 2005, the coast guard became a special operating agency within Fisheries and Oceans Canada. The decision to establish the agency was done with a view to affirming the coast guard as a strong national institution ensuring that its fleet provide services to the government and to providing the coast guard more operating flexibility.

In the chapter, we raised several issues that will be important for successfully implementing the special operating agency.

The coast guard has had limited success in developing a national approach to managing its operations. It has yet to strike the right balance between appropriate national direction and guidance, and responsive, accountable delivery.

In addition, the modernization of the coast guard's marine navigational services has been slow. New technologies are expected to improve the effectiveness of marine navigation while reducing the coast guard's costs. However, until it can shed the old technology and associated infrastructure, these cost reductions will be difficult to attain.

Furthermore, the fleet is aging. Reliability and rising operating costs are significant issues. While the government has approved funding for new vessels, we are concerned that the most recent plan for replacing vessels is already out of date.

[Translation]

You will note that we have made only one recommendation in this chapter. If little has changed, why then would we not repeat our past recommendations?

Like any other organization, the coast guard has limited resources and must focus on the key issues it faces. Therefore, we have recommended that it establish its priorities for improvement, setting clear achievable goals for each priority. Sufficient and appropriate resources should be allocated to each priority. The coast guard should plan and implement the changes required by holding managers and organizational units accountable for the identified results.

I am satisfied that the department's response to our recommendation recognizes the need for realistic planning and implementation.

I believe that your committee can play a valuable role by asking the coast guard to identify its priorities for improvement and to provide regular updates on the results that are achieved.

Mr. Chairman, this concludes my opening statement. We would be pleased to answer your committee's questions. Thank you.

[English]

**The Chair:** Thank you, Madam Fraser. I think that's a pretty straightforward and accurate report of the situation we're in. I appreciate your forthrightness.

Are we going to have another opening statement or are we going to—? Yes?

If Mr. Simms can wait a bit—That was only six minutes. I know you're hot to ask questions and I'm going to make sure you get to do that, but we have another statement to SCOFO from the deputy minister.

Mr. Larry Murray.

**Mr. Larry Murray (Deputy Minister, Department of Fisheries and Oceans):** Thanks very much, Mr. Chairman.

Like Madam Fraser, we welcome the opportunity to be here, particularly with the Auditor General. I'm joined, as you mentioned, by George Da Pont, the commissioner of the coast guard, and Charles Gadula, the deputy commissioner.

As you probably know, Minister Hearn issued a statement following the tabling of the report in which he fully accepted the findings of the Auditor General. He has instructed that the commissioner and I develop a realistic plan that addresses to his satisfaction the matters raised by the Auditor General, and that we provide him with regular reports on progress. We intend to share this plan with the Auditor General and the Treasury Board prior to implementation.

Naturally, both the commissioner and I are disappointed with the audit results. The concerns raised by the Auditor General are largely, but not exclusively, management issues and must be addressed. As deputy minister of Fisheries and Oceans, I fully accept responsibility for the slow progress to date in responding to the recommendations of the 2000 and 2002 Auditor General reports.

However, notwithstanding our failure to complete all outstanding actions with respect to these recommendations, considerable progress has been made on many initiatives, and I believe that with careful identification of priorities, as recommended by the Auditor General, this important work will be completed.

We have produced a document for your information and consideration that indicates, fairly objectively, I believe, what has been achieved to date in response to the Auditor General's earlier recommendations and what remains to be done.

●(1115)

[Translation]

I also want to offer a few comments on the context within which this work was taking place. When I became deputy minister in April 2003, I knew that both the coast guard and the department faced significant fiscal and operational challenges. I felt that we needed to strengthen and clarify the organizational model, that we had to develop a strategic plan on our overall direction and that we needed additional resources to deal with serious operational shortfalls.

[English]

A major internal review encompassing the entire department, including the coast guard, is known as the departmental assessment and alignment project, or DAAP, together with a parallel Treasury Board expenditure management review where the principal vehicle is used to complete this work.

With respect to the coast guard, one of my first actions was to implement clear lines of accountability. In June 2003, I established the coast guard as a line organization and had the assistant commissioners in the regions report directly to the commissioner. Prior to that time they reported to the department's regional directors general. I was also concerned with the "five coast guard" reality, which has been raised again in this report. I felt this change in reporting relationships was an essential first step to addressing the issue, and still believe that to be the case.

In December 2003, the government announced the intention to further strengthen the coast guard's autonomy by making the organization a special operating agency within DFO. Various policy and regulatory functions that had previously resided with the coast guard were consolidated in Transport Canada, so that the coast guard could focus exclusively on program and service delivery. It did take several months of highly focused management effort to develop and secure approval of the authorities required to establish the coast guard as a special operating agency, and this change came into effect on schedule on April 1, 2005.

Meanwhile, the DAAP and related Treasury Board processes were concluded in April 2004 and resulted in a renewed departmental strategic plan, a significant reallocation of internal resources to operational purposes, and the foundation for a transformational plan that ultimately produced \$55 million in short-term operational relief in 2005 and 2006 and, with Canada's new government budget of 2006, a \$99 million permanent increase to our A-base, \$45 million of which went to the Canadian Coast Guard.

The 25-year fleet renewal plan was also completed concurrently with these various initiatives, including the approval of phase I implementation. I would say the reports of this committee on the coast guard in 2003 and 2004 also very much informed and supported these processes and the results achieved, including augmented funding.

[Translation]

However, what I have described also entails a great deal of change for already busy managers across the coast guard, and culture change, which is what this is really all about, does and will take time. I firmly believe that solid progress has been made and is being made within the Canadian Coast Guard and that under Commissioner Du Pont's capable leadership, the CCG management team is deeply committed to transforming the agency into a strong national institution.

With regard to coast guard participation in maritime security priorities, I would like to correct erroneous media reports that the \$27 million received by the agency has not been used for these purposes. Coast guard began receiving funding from Treasury Board in 2002 especially to enhance our on-water presence. Consequently, the vast majority of the fleet's increased number of sea days were carried out by multi-tasked vessels engaged in various programs, since existing on-water activities provided the collateral benefits of federal presence in Canadian waters including readiness to respond to on-water emergency incidents.

As the Auditor General has noted, there was a problem in reporting the information. Activity codes were put in place in May 2002 to track vessel activities related to maritime security. However,

these codes were being interpreted differently, leading to an inconsistent application at the regional level. A strategy has since been developed to deal with activity coding deficiencies and inconsistencies.

• (1120)

[English]

I also want to emphasize the very effective work the coast guard has done throughout the period in maintaining its day-to-day operations. Here again, I would like to correct some news reports last week suggesting that no fisheries resource surveys had been conducted since 2001. The coast guard provided the necessary platforms to ensure that the vast majority of them were indeed carried out. As the Auditor General noted, a number were delayed or changed as a result of technical problems. However, out of close to 90 surveys in the Atlantic zone between 2001 and 2006, only two were not done, both of which were referenced by the Auditor General in her report.

My primary point is that the crews who operate the over 100 ships of the Canadian Coast Guard year round in some of the harshest conditions on the planet do so with selfless dedication, professionalism, and courage.

**The Chair:** Excuse me, Mr. Murray, you may have to slow down just a little bit for interpretation.

**Mr. Larry Murray:** Okay. Sorry.

The well-founded criticism of some management practices and a lack of satisfactory progress on previous audits, which the Auditor General has delivered in a measured and very effective way, is deserved. However, it is also important to recognize that the men and women of the Canadian Coast Guard deliver excellent operational results, whether in marine search and rescue, consistently maintaining NAFO patrol vessels on the nose and tail of the Grand Banks 365 days a year in all weather conditions, responding to unique emergencies such as the highly successful Hurricane Katrina relief operation in the Gulf of Mexico with the ship, the *Sir William Alexander*, whose control systems were designed for operation in cold northern waters, or routinely maintaining six to eight ice breakers in the Arctic for six months a year, despite always-present technical and logistical challenges. As this committee well knows, there are countless other examples I could use.

Finally, as our minister has emphasized publicly, notwithstanding the management issues correctly raised by the Auditor General, the Canadian Coast Guard has one of the best records in the world for marine search and rescue, with a 98% success rate in cases with lives at risk during the same period.

I offer these observations not as excuses for the slow progress in some management areas, for which I take responsibility, but rather as examples of ongoing significant achievement in challenging and very important operational areas by the members of the Canadian Coast Guard.

I now will ask Mr. Da Pont to say a few words to conclude the statement.

Thank you.

[*Translation*]

**Commr George Da Pont (Commissioner, Canadian Coast Guard):** Thank you. I wanted to spend a few minutes to give the committee a sense of how we intend to respond to the findings of the Auditor General.

First, let me say that the management team of coast guard agrees fully with her report. Early last year, just after I had begun to act in the position of commissioner, I launched an A-base review to examine both how we were spending our money and our internal business practices.

We set up a dedicated team of people from all parts of coast guard and all regions to do this work over a six-month period. While I obviously knew that the Auditor General's staff would cover some of the same ground, I felt that a review of our A-base would look beyond the scope of the auditors, and take a broader look at our internal practices. This group reported out in September of last year. Their findings were very consistent with those of the Auditor General. Indeed they helped to inform her analysis.

Last September I appeared before this committee. I identified five multi-year priorities for coast guard that were reflected in our first business plan as an agency and indicated that, within each of these areas, we would identify specific actions and activities to be taken.

As you may recall the priorities were: full implementation of agency status; renewal of the fleet; steady progress on our various modernization initiatives; our on-going contribution to the security agenda; focus on our people, especially succession planning.

• (1125)

[*English*]

I believe these priorities provide a good framework for responding to the Auditor General's findings. I also agree completely with her observation that we tried to do everything at the same time with unrealistic timeframes and without ensuring that we had adequate human or financial resources assigned to complete the work.

That is why I would like to use our business plan as the vehicle to respond, so that we can put our response to the Auditor General's findings in the context of all our other business activities to ensure that we do not repeat the mistake of spreading ourselves too thin.

I will also provide regular progress reports to the minister and, through our business plan, to the Treasury Board. The plan is a public document, so it will be available for widespread scrutiny, including by this committee. I expect our next business plan to be ready by the end of April.

I've also taken a number of concrete actions that begin to address some of the issues identified by the Auditor General. For example, marine advisory boards, which are our principal consultative mechanism with the shipping industry, have been revitalized at both the national and regional levels. Already we've engaged in meaningful discussions on the issue of marine service fees, which have been a contentious issue for many years. This has helped us to re-engage with one of the primary users of our services.

We are in the process of establishing a parallel link with recreational boaters and commercial fishers through existing structures.

I have created a new group to focus exclusively on vessel procurement, a capacity that has not been in place in the coast guard for 20 years. We have also updated our fleet renewal plan. I've created a workforce development unit to establish a capacity for analysis and strategic thinking on how we manage and train our people.

I have taken a different approach to budgeting, which will bring more transparency to what we spend our moneys on, particularly for maintaining the fleet and for the results of the funding we received for federal on-water presence. Finally, I have increased the moneys we allocate for vessel refit and put in place a more structured planning process for how we do that work.

These measures are only a start, and I know that much more needs to be done. But I am confident that we are on the right track to building the strong national institution that we all want.

Let me conclude by emphasizing, as did the deputy minister, how proud I am of the professional and dedicated work of our employees.

Thank you, Mr. Chairman. That concludes our opening remarks.

**The Chair:** Thank you to our witnesses.

We'll go to our first questioner.

Mr. Simms, you have your opportunity.

**Mr. Scott Simms (Bonavista—Gander—Grand Falls—Windsor, Lib.):** Thank you, Mr. Chair. I would like to thank our guests for coming, and I'll just launch right into this as quick as I can. I believe I have 10 minutes. Is that right?

**The Chair:** You have 10 minutes exactly.

**Mr. Scott Simms:** Ms. Fraser, would it be safe to assume that a lot of these—I won't say mistakes—misgivings took place at around the time that the special operating agency was set up?

**Ms. Sheila Fraser:** I don't think, Mr. Chair, that we can conclude that, because the special operating agency has only been in existence now for about two years. These are long-standing problems. We've referenced audits from 2000 and 2006, but we could even go back further than that. So there are many problems, I think, that are long-standing.

**Mr. Scott Simms:** I guess what I'm getting at is it seems to me there's been a flux in the transition for the Canadian Coast Guard. I'd like Mr. Da Pont to weigh in on this as well.

The transition from, say, transportation over to fisheries: did you gauge that there was a lot of uncertainty in the management practices when that was taking place?

**Ms. Sheila Fraser:** We didn't specifically look at that, Mr. Chair, but I think we can all recognize that any kind of a reorganization will take management attention and time and resources. But we didn't specifically look at that issue.

The deputy minister or the commissioner might be able to comment on that.

**Commr George Da Pont:** Yes, I could offer a few comments.

As the Auditor General has noted, certainly, when the coast guard transferred from Transport Canada to Fisheries and Oceans, there was a significant amount of work that had to be done. We had to merge what was then the existing coast guard fleet with the DFO fleet. At the same time, both were downsized in the context of program review activities. We had changes to our mandate.

So those are things that take a fair bit of time to implement and do. In addition, the "five coast guard" reality was a reality of the time of the transfer. It's not something that was created in the last few years, because, as the Auditor General has noted, some of those activities and differences go back many years.

I think it did take time to put together the special operating agency. It did take some focused time to put in place the authorities that were required to make it effective. They only became effective at the beginning of April 2005, and I'm very confident it gives us a good framework for moving forward. Obviously, it hasn't been a reality for that long, and I don't think we've yet realized the full benefits of that.

• (1130)

**Mr. Scott Simms:** It just seems to me that, as the Auditor General pointed out, you're taking on a lot without any clear objectives, or at least in the short term and perhaps even the long term. The long-term goal obviously is to increase the effectiveness of the fleet, and whether that happens in this department or in another, in my opinion, remains to be seen.

But, Ms. Fraser, you said the recent plan to replace the fleet is out of date. Is that correct? I want to explore that issue for just a moment. Which recent plan are you referring to?

**Ms. Sheila Fraser:** I'll let Mr. O'Brien respond to that.

**Mr. John O'Brien (Principal, Office of the Auditor General of Canada):** I think, Mr. Chairman, if you look at paragraph 4.78, we talk about the vessel replacement plan at the time we did the audit. And there were two or three issues that we note there. One is that the coast guard had asked for ten new vessels and had approval to get six. Of the six it did get, the timeframes were stretched out in terms of delivery. The long-term plan talked about replacing vessels several years after their expected useful life, so they were going to be very old when they had to be replaced.

Another issue that's tied in with this goes back to the issue of marine aids modernization. In terms of things like the large buoy tenders, the nature of the infrastructure that you have to maintain will drive the type of vessel you need. So as marine aids modernization has not progressed as rapidly as expected, you need to have the new, modern aids system in place before you can make clear decisions as to the type of vessel you're going to need to service those aids. Those are the types of things we talked about.

I do note in the document, which I think has been tabled, that the coast guard indicates that it updated that plan earlier this year, since July.

Those were the kinds of concerns we had when we did our audit work.

**Mr. Scott Simms:** How much time do I have?

**The Chair:** You have nearly five minutes.

**Mr. Scott Simms:** Okay. I just have to prioritize my questions.

Mr. Da Pont, would I be right in saying that last year alone, senior managers of the Canadian Coast Guard received roughly \$300,000 in bonuses?

**Commr George Da Pont:** Yes, that would be close to the right figure.

**Mr. Scott Simms:** Who decides what bonus you get?

**Commr George Da Pont:** It's decided by a departmental committee within the coast guard. Each assistant commissioner and myself at the national level would give ratings for the people who report to them.

**Mr. Scott Simms:** Why were the bonuses given out?

**Commr George Da Pont:** There are two parts to getting performance pay. One is at-risk pay, which normally you get if you've achieved your basic operations and your basic management. And then there's a bonus on top of that if you exceed what you were required to deliver. Within the coast guard, only six out of the 44 executives got the bonus part, but all but one got the at-risk pay part.

**Mr. Scott Simms:** Yes, because they were on sick leave. Is that correct?

What I hear is that over 40 people got bonuses, not the six you say.

**Commr George Da Pont:** No. As I explained, there are two parts to performance pay. One is at-risk pay, and of that you're absolutely right, 43 of 44 got at-risk pay.

• (1135)

**Mr. Scott Simms:** Right.

**Commr George Da Pont:** But beyond the at-risk pay is the actual bonus part. I believe only six of the 44 got it.

**Mr. Scott Simms:** Ms. Fraser, I have a question for you. In light of this—and forgive me if I'm putting you on the spot here—it seems that bonuses are pretty prevalent across the civil service. Would I be safe in saying that? In this particular case, we have some pretty harsh criticisms of the Canadian Coast Guard, but yet they received close to \$300,000 for the year—I think \$296,000 was the number—in bonuses. Did you look at that when you were going through it?

**Ms. Sheila Fraser:** No, Mr. Chair, we did not look at that.

**Mr. Scott Simms:** May I ask you a question?

Instead of going through a committee to decide the bonuses, would it be prudent for the Auditor General's report to be used as a bonus-pay mechanism to judge?

**Ms. Sheila Fraser:** That, Mr. Chair, would depend very much upon the accountability system that is put within the department, on what objectives are set for individual managers. Many times our reports, too, deal with issues that are long-standing, so to actually attribute that to the performance of any individual person could be difficult. Now if someone has an objective to respond to a particular area that—

For example, in the coming plan, if the plan is presented, and the priorities are established and the objectives are established, that should form part, indirectly, of a performance pay system. I'm not sure this report should necessarily be used for that because I don't know how the performance pay system was established in the past.

**Mr. Scott Simms:** I still have time, I gather?

**The Chair:** You do. I'm not going to stop you until your time is up.

**Mr. Scott Simms:** I have a question for Mr. Da Pont and Mr. Murray. You said that the next business plan will be ready by April, but you also touched on an updated fleet renewal plan. Updated to what extent?

**Commr George Da Pont:** As was noted in the report of the Auditor General, we had done a fleet renewal plan over a 25-year period that was considered by the government of the day, and they had funded six out of ten. Since then, we have re-looked at that plan, we have updated the plan, and we have developed some additional proposals for fleet renewal.

**Mr. Scott Simms:** I believe that in March 2005 there was \$276 million for the ten-vessel fleet. Is that correct?

**Commr George Da Pont:** Yes, that was phase one of the plan that was funded. Since then we have revised and updated the plan, and we have proposals that are being considered for a phase two.

**Mr. Scott Simms:** For phase two, what kind of a ballpark figure are we looking at?

**Commr George Da Pont:** Given that these issues are before the government for consideration in terms of funding, I'm afraid I'm not at liberty, as you know, to provide the details, except to say they're significant.

**Mr. Scott Simms:** Okay. Sorry, did you want to add something?

**Commr George Da Pont:** You asked about the business plan being ready by April. Good chunks of it are done, but the reason there's an end-of-April date is that we obviously have to await the federal budget to incorporate whatever decisions come from it that affect us.

**Mr. Larry Murray:** If I could add a point of detail in terms of fleet renewal, the \$276 million deals with four midshore patrol vessels and two new fishery research vessels. There is also approval for I think approximately \$125 million for four additional midshore patrol vessels.

**Mr. Scott Simms:** That's in addition to the \$276 million, correct?

**Mr. Larry Murray:** Yes. Those would be operated jointly by the Canadian Coast Guard and the Royal Canadian Mounted Police for maritime security purposes. What I'm saying is that although the first

part of fleet renewal is the \$276 million, in fact there are four other patrol vessels moving along in the same timeframe.

**Mr. Scott Simms:** So the midshore vessels are not a part of the \$276 million.

**Mr. Larry Murray:** Yes, they are. The four that will be used for classic conservation and protection work by the Department of Fisheries and Oceans are part of the \$276 million. Four of the same types of vessels with whatever minor modifications required for the work with the RCMP are moving forward as part of maritime security money that the governments have authorized.

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

I glanced down for a moment and as usual Mr. Simms managed to get another minute in there. I don't know how that happens.

It would be remiss of me to my fellow committee members if I didn't introduce our newest member of the committee this morning, Mr. Blaine Calkins. Blaine is a member from Wetaskiwin in Alberta and I think—you're looking at me like you're not.

● (1140)

**Mr. Blaine Calkins (Wetaskiwin, CPC):** I am.

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

Mr. Blaine Calkins: I just can't believe you said it right the first time. I won't make you spell it.

**The Chair:** Well, I just did, but welcome to the committee. We'll go to our next questioner.

*Monsieur Blais, s'il vous plaît.*

[Translation]

**Mr. Raynald Blais (Gaspésie—Îles-de-la-Madeleine, BQ):** Thank you, Mr. Chairman.

Good morning, Ms. Fraser. Good morning gentlemen.

First of all Ms. Fraser, I must say that I'm rather impressed to meet you and to be able to ask you questions, because I have a great deal of respect for you.

I would like to have a better understanding of how this really works. When the time comes to draft a report, for example on the coast guard, it starts somewhere. There has to be a beginning to this study.

Is that beginning driven by particular events? Is it launched by you, by your office, or following some complaint? How does this work? What is the point of origin?

**Ms. Sheila Fraser:** Almost all of the audits we carry out are choices we have made ourselves. In most cases, we do risk analyses of various departments and we set up a three- to five-year audit program.

In the case of this report, the Status Report, these are audits or follow-up audit activities of audits we have already done in the past. We assess whether or not the departments have made satisfactory progress or not in response to recommendations. As we said earlier, there had already been audits in 2000, in 2002 and even before that. We look at the recommendations, we re-check the issues and we give a progress report taking into account the complexity of the issues and the time that has gone by.

**Mr. Raynald Blais:** Is it possible that a member of Parliament, a group of MPs, a citizens' group or some organizations could call on your services and ask you to audit a particular entity? Could that also happen?

**Ms. Sheila Fraser:** We receive many proposals, but we do not accept to carry to an audit at the request of an individual or even of a member of Parliament. If a committee addresses a request to us, generally speaking, we comply with it.

**Mr. Raynald Blais:** All right.

I have something in mind that I want to talk about right away, namely the small craft harbours file.

Regarding the coast guard, you said that if things are allowed to slide, maintenance costs go up. Due to a great increase in maintenance costs, the challenge becomes greater. Unfortunately, this can create problems with various aspects of the mandate for which the coast guard, for instance, is responsible.

However, I am specifically thinking of the small craft harbours file, because the harbours begin to deteriorate as soon as they are not maintained. Their deterioration causes safety problems as well as a great increase in maintenance costs.

If a house is not kept in good repair, a leaky roof can sooner or later cave in. I feel that this is more or less what happened to the coast guard, but I would like to understand this more clearly. You said that your studies and audits are done over a long period of time. Therefore, you produce audit reports, you make requests and recommendations. Obviously, your recommendations were not followed.

**Ms. Sheila Fraser:** In this case, in fact, the recommended measures were not fully carried out. We can see that the coast guard and the department began to work on this, but they did not ultimately resolve the issues that we raised.

**Mr. Raynald Blais:** You mentioned underlying causes and various other aspects. Are the causes mainly due to the financial factor, or is there something more to it?

**Ms. Sheila Fraser:** The deputy minister should answer this question.

That is probably the case. Of course, if we say that the fleet is aging, it means that there were not sufficient funds to replace the craft. Nevertheless, we are still hesitant about making recommendations with regard to funding issues. We say that management must be properly carried out within the allocated envelopes. Part of our basic reasoning is that the coast guard tried to do too much, did not set its priorities and did not do the necessary a follow-up to make sure that the measures were fully carried out.

Therefore, this is partly the reason. Of course, the accountability system also comes into play.

● (1145)

**Mr. Raynald Blais:** One of the coast guard's most important mandates has to do with marine safety. Therefore, do you think that the mandate for ensuring safety was affected by the fact that the coast guard did not carry out its responsibilities? Did this put people's safety at risk?

**Ms. Sheila Fraser:** We do not evaluate programs. We really need to do an evaluation before we can answer your question.

Mr. Chairman, we are told that there is a problem with the reliability of ships. The ships are often under repair, and they spend more and more time under repair. Therefore, they are less available. However, I think that they are compensating for this, perhaps by providing more vessels to certain sectors.

Perhaps the commissioner and the deputy minister could answer this question, but we have not seen anything that indicates this. Of course, some of the accidents or incidents that we mentioned in the report could create problems for coast guard employees.

**Mr. Raynald Blais:** All right.

I will let Mr. Murray or Mr. Da Pont answer this question. Did the coast guard's deficiencies and problems cast any doubt or have any impact on its mandate with regard to marine safety?

**Commr George Da Pont:** In the first place, the coast guard is not directly mandated to ensure safety. Our role consists in assisting other departments that are directly mandated, mainly the Royal Canadian Mounted Police. Clearly, our role consists in making sure that ships are available for their activities.

As the deputy minister mentioned a few minutes ago, we received funds, two or three years ago, to carry out a program with the Royal Canadian Mounted Police on the Great Lakes and the St. Lawrence River. We have already begun implementing it. We have received the resources for doing this work, but of course, we still have to acquire new vessels. In the meantime, we are using the ships that we have.

The first season went quite well. However, aging ships are similar to old cars. As time goes on, they need more and more maintenance.

**Mr. Raynald Blais:** Let me clarify my question because—

[*English*]

**The Chair:** *Excusez-moi, Monsieur Blais.* Like Mr. Simms, you're out of time. We will come back to you, of course.

Just a point of clarification, perhaps, before we go to Mr. Calkins. You mentioned in your comments, Mr. Da Pont, that for 365 days of the year you had a patrol vessel in the NAFO area off Georges Bank.

**Mr. Larry Murray:** That was in my opening remarks. What I was referring to, Mr. Chairman, was the fact that we do maintain two patrol vessels on the nose and tail of the Grand Banks on an ongoing basis. That presence has made quite a difference in our ability to achieve real reform in NAFO and real enforcement. And those are, I don't have to tell members of this committee, some of the most challenging waters in the world.

**The Chair:** Has that been consistent?

**Mr. Larry Murray:** Well, sometimes it's three, because of crew changes and so on. But I'm saying that since the funding was provided, thanks to, among other things, the recommendations of this committee, to the tune of \$75 million over five years, we have generally been able to maintain a continual presence there and have usually had two vessels. I'd be happy to provide those kinds of statistics from over the last year or two, if you wish. And the navy is there when we have a problem, usually, to the extent they can be.

• (1150)

**The Chair:** Thank you.

We'll go to Mr. Calkins.

**Mr. Blaine Calkins:** Thank you, Mr. Chairman.

I'd just like to thank the Auditor General for appearing before the committee. We're getting to know each other quite well. I think you've appeared before the environment committee three or four times since the session started up. I was glad to have you come before that committee, and it's good to see you doing good work on behalf of Canadians in the area of fisheries as well.

First of all, I had a question, out of curiosity, on the four vessels that are going to be built alongside the ones that are going to be strictly for DFO, the ones that are going to involve the RCMP as part of maritime surveillance and warning. Is that part of fulfilling our NORAD agreements? Is providing that maritime surveillance the maritime component of NORAD?

**Mr. Larry Murray:** At the moment, it's purely the Canadian contribution to maritime security in the Great Lakes-St. Lawrence Seaway system, where we haven't had a presence strictly devoted to this.

In terms of bilateral relations on border security and all of that, it may evolve to that. Certainly the information from these vessels and in that system are feeding into an op centre that is part of the package, and that op centre certainly will be connected to other op centres, as they are on the east and west coasts. So at some indirect level, it does feed an overall intelligence or information flow. But it's not specifically for that purpose at this time.

**Mr. Blaine Calkins:** Thanks.

When I read through the report, and when I listened to some of the testimony here as well, Mr. Da Pont, the thing that concerned me was that you identified the business plan that's coming up as the vehicle you want to use to implement some of these priorities. A business plan identifies those priorities, and the Auditor General has been very clear on what some of those priorities are.

There need to be some priorities, or else we just simply spin our wheels. As a representative of taxpayers, of course, the last thing I want to do is throw more money into what I would call a swirling cesspool of mismanaged spending. I'm not suggesting that's what's happening, but it's certainly the perception that some people would have from the media reports and so on.

I'm getting myself into trouble here on my first day on the committee, I can just tell.

From reading through the Auditor General's report, something concerns me about these five priorities that you have identified as dealing most effectively with some of the problems identified by the Auditor General. When I read through the Auditor General's report, item 4.47 talks about the integrated technical services strategy project, whereby the material management system seems to be inadequate. If we look at some of the case studies outlined in the Auditor General's report, I think material management is a big deal. If you don't keep track of your assets and the management of your assets through the life cycle process, that's where costs start to get out of control. I don't see material management as one of your five priorities that you're going to outline for your business plan.

Maybe I'm just not reading it in there correctly. Could you just highlight for me where that would be found in your business plan?

**Commr George Da Pont:** That's a very good point. It obviously has to be part of our priorities.

It's encompassed in the general one I had set out, about continuing with our modernization initiatives. I just summarized and rolled things together because when I was before the committee in September, I elaborated a little bit more on what was encompassed there. Essentially, as you say, it is moving to an effective life cycle management system.

The other major one was our aids to navigation for the 21st century initiative, which also builds on some of the recommendations of the Auditor General.

**Mr. Larry Murray:** Could I piggyback onto that?

I would indicate that in terms of this business plan, we certainly have every intention of sharing it with the Auditor General. It will also become part of our ongoing input to the Treasury Board in terms of the management accountability framework.

I'd like to underline as well the absolute essentiality of getting there in terms of the Auditor General's recommendations around maintenance management systems. In other words, it's one thing when we're operating in 1984 trawlers, but as we move forward with this fleet replacement program, as the navy did, it will be absolutely essential that the recommendations she and her staff have made are actually functioning in order to make the system work.

So notwithstanding my very strong support for the men and women of the Canadian Coast Guard, who have done a wonderful job—which is why I might take a little bit of an exception to decisions about at-risk pay and that kind of stuff—there is no question that your point is bang-on and that we must ensure that the recommendations the Auditor General has made are implemented in terms of a comprehensive maintenance management system for configuration management as this new fleet rolls out. It's absolutely essential operationally, as well as from a taxpayers' perspective.

• (1155)

**Mr. Blaine Calkins:** I'm glad to hear that. It's encouraging.

If these five categories are broad and all-encompassing, are they so broad and all-encompassing that you're basically saying we're going to continue with the status quo?

**Commr George Da Pont:** Absolutely not, because the last thing I want to do is repeat the mistake that has been flagged and that we've made so far in trying to do too much all at the same time, while at the end of the day, despite a fair bit of effort, we haven't gotten anything finally completed.

These priorities are multi-year priorities. They will take us a number of years to fully implement. What I'd like to do in the business plan is identify very specifically what exactly is going to be done that particular year in terms of that priority or initiative. In other words, in doable bits, I want to make sure I allocate the resources that are actually needed to do that effectively, and that we establish very clearly who has the accountability for carrying through on it. I will tie those results to our performance agreement system and obviously monitor and report on that.

There is no intent to try to do a whole bunch of things all at the same time under those five priorities. They're frameworks. We will identify very specifically what they are.

The reason I want to use my business plan to do that is that I don't want to have a plan to respond to the Auditor General, a plan for our operations, and a plan for things the Auditor General didn't touch on. I want to have one integrated plan. To me, that's the only way to make sure I have clear accountability and that it's doable.

**Mr. Larry Murray:** We're certainly going to share it with everybody else. The minister obviously is interested, but there is absolutely no reason why we can't share it with this committee on an ongoing basis. You have a right to that.

**Mr. Blaine Calkins:** Keeping on in this vein, then, the ship contracts have already been awarded, right? When is the next ship coming?

**Commr George Da Pont:** The contracts haven't been awarded for the mid-shore patrol vessels. We are expecting the proposals to come in sometime in March, and then they will be assessed. I would hope the contract will be awarded certainly by the early fall, depending on how fast we can do the analysis and get it to the Treasury Board.

For the two offshore vessels, the actual proposals are coming in early next year, and I would hope to have the contracts in place certainly by March or April of next year.

So the vessels have not yet gone to the contracting stage.

**Mr. Blaine Calkins:** In the procurement process, then, as part of streamlining and making the organization more efficient, are you looking for a total package procurement, in which somebody's going to build the ships for you and it will be the same company maintaining them? What's the direction of the organization on the procurement end?

**Commr George Da Pont:** Right now the direction is obviously to build them, and according to our shipbuilding policy, obviously they'll be built in Canada. As part of the procurement process, we are building in getting all of the manuals and the technical drawings that are required for effective life cycle management in a form that we will be able to feed into an electronic information management system, in order to ensure availability and to give us an effective way of keeping them up to date.

In terms of what we have now, this is sporadic. Given the age of the vessels, some of the manuals are outdated. Given the fact that we

acquired them in different ways, a number of our vessels we didn't acquire ourselves. We acquired them after they had been in service for a period of time, and we then refurbished them.

So there are a lot of issues that go into why we have had some maintenance issues, but we are certainly building all that into the procurement process. We would still expect to do the actual maintenance part with our own people.

**Mr. Blaine Calkins:** So in order for an integrated management system to work if it's going to be difficult to have five different regional organizations operating semi-independently from each other, the next part of the equation for me is making sure we identify those things that are common at the national level, getting them organized into a national hierarchy. How do you see that working with this material management?

• (1200)

**Commr George Da Pont:** With the material management, the key thing is that we have to have three or four things come into place. We actually put the details on those things into the status report that we shared with you.

First of all, obviously we need a common organizational structure and common job descriptions across the country. We've made very good progress on that. It's not 100% in place, but as you can see from the status report we distributed, we're well along with that.

Secondly, you need the clear, overarching framework policies that are necessary for life cycle management. We have most of the framework policies in place or close to being finalized.

Thirdly, you then need the specific ones that the people in the field can actually follow. We have a good start there, but we have a fair bit of work to do.

Finally, you need an effective information management system that you can readily keep up to date. We have a system, but it's not being utilized effectively. We've had some successes with it, but we still have some cultural changes to make. We have a good framework for how to do that, and we are reasonably well along in most aspects, but clearly there's work to be done.

The one thing I would say again on this is that we have made very significant progress in the last eight or ten years. Prior to that, some of the vessels didn't even have a paper-based system for maintenance. Where we are is not where we need to be, and I fully accept that. At the same time, we've come an awfully long way in the last six or seven years. I hope that doesn't get lost in the analysis.

**The Chair:** Thank you, Mr. Da Pont.

Mr. Cuzner is next.

**Mr. Rodger Cuzner (Cape Breton—Canso, Lib.):** Thank you very much.

I'd also like to welcome our new member on the committee from this side of the committee room.

Ms. Fraser, while reading through the statements and listening to the statements, I noticed that Mr. Murray commented twice that “considerable” progress has been made on initiatives and recommendations that have come forward, and Mr. Da Pont as well said that it has been “significant”. So we have “significant” and “considerable”, yet you don't mention anything in your comments. Are your views at odds with the department? You might want to comment on that.

**Ms. Sheila Fraser:** Mr. Chair, we recognize that the coast guard did put effort into trying to address the recommendations we made in 2000 and 2002; it's not that they did nothing about this. Our conclusion is that we would have expected some of the issues to be resolved by now. As we always say, we hope we agree on facts; we can disagree on conclusions.

**Mr. Rodger Cuzner:** Through both reports you identified an already stretched management team, and references were made to just how strained the coast guard is with resources.

When we see the government looking at trying to further exert sovereignty in the north, we understand fully that a major piece of that is going to be military, but without question the coast guard would play a significant role. Do we put further strains on the coast guard in embarking on this if we do not support it with a substantial allocation of cash? Are there further strains placed on the coast guard?

**Ms. Sheila Fraser:** The deputy and the commissioner are obviously better able to respond, but I would certainly say that if you ask an organization to do more, they have to stop doing something else if they have the same level of resources.

**Mr. Rodger Cuzner:** What you say throughout your report is that there's a cash crunch on within the department, and where the concerns have been raised is where they haven't been able to prioritize.

**Ms. Sheila Fraser:** Some could read this as saying there's a cash crunch. I think we also note in a number of examples that for many years we've been talking about shore-based support; we believe there are efficiencies in that. When you look at some of the case studies, the repairs were much more expensive than they should have been.

There was also spending that, quite frankly, could have been better, and if there had been better maintenance procedures and so on, the costs maybe wouldn't have been what they were. So it's very hard to say that it's only a question of needing more money. It really comes back, again, to setting the priorities, determining what has to be done, and taking into account that limited funding has been given to this organization.

• (1205)

**Mr. Rodger Cuzner:** Could I get Mr. Da Pont or Mr. Murray just to—?

**Commr George Da Pont:** I obviously don't disagree with Madam Fraser's observations, but I would mention several points.

First of all, I would agree—and this is certainly my approach and the arguments I make—that if I do not have the resources within my existing budget, I cannot take on new responsibilities and an expanded mandate without the funding that would go with it, or without being given the ability to shed some of the shore

infrastructure that the Auditor General has talked about, such as staffed lighthouses or some of the large number of shore facilities.

All of those are very contentious, not from the operational perspective of the coast guard, but for legitimate heritage considerations, for legitimate issues about the impact on local jobs in small communities. I understand that fully, but what I can't do is effectively be unable to realize some of those improvements and rationalizations and at the same time be expected to take on more without funding.

There is opportunity within our budget to use some of our budget much more effectively—and that's a good example—and certainly there are improvements in our management practices that we will try to make, but I think in essence that's the situation: in the absence of being able to readily deal with shore-based infrastructure, I don't see much opportunity to expand the mandate within the current envelope.

**The Chair:** Sorry, Mr. Cuzner, we're out of time. Time flies when you're having fun, right?

Monsieur Blais.

[*Translation*]

**Mr. Raynald Blais:** Thank you very much.

Twenty minutes ago, I tried to raise the safety issue again because I was not sure whether Mr. Da Pont had really understood my question. In my opinion, safety involves navigational aid as well as assistance to ships in distress. These things are within the coast guard's mandate. I understand that there are also things like national security that come into play, but I would like to know whether the problems that we identified and that the Auditor General raised in her audit have anything to do with safety in the context of navigational aid and aid to ships in distress.

**Commr George Da Pont:** We worked very hard at maintaining a search and rescue program. Our track record is certainly one of the best in the world. A great deal of emphasis is given to the maintenance of key infrastructure in these sectors, but we must always make the best possible investments within the available budget. I strongly believe that we can maintain an excellent standard of service, just as we did in the past. Certainly, as I said in September, there are problems in some parts of Canada. Some regions are requesting more services. We try to satisfy such requests, but our approach is based on identifying risks and on the need to maintain all the key services in which we invest most of our resources.

**Mr. Raynald Blais:** Ms. Fraser, search and rescue and aid to ships in distress were not necessarily included in your mandate.

Does your audit show some kind of cause and effect? In situations where maintenance is a major financial problem, is efficiency affected in any way? If that is the case, does it have any impact on the search and rescue mandate?

•(1210)

**Ms. Sheila Fraser:** Mr. Chairman, our report does not show any problems with that. Therefore, our audit did not reach that conclusion.

**Mr. Raynald Blais:** Does your analysis include this factor in any way, or not at all?

**Ms. Sheila Fraser:** Not really, because we mainly audit management practices as well as existing systems and practices, but not the... Unless the audit revealed certain consequences, as we saw, for instance, with regard to research on fish, etc. But we did not detect any problem of this nature.

**Mr. Raynald Blais:** Regarding the audit, I think that we can logically conclude that if there are problems with the maintenance of vessels that are used for search and rescue, there must be some relation of cause and effect.

**Ms. Sheila Fraser:** Perhaps, but that depends on how the coast guard compensates for maintenance problems or the unavailability of certain ships, and if it will seek others elsewhere. There are mechanisms in place to compensate for and respond to that. We did not examine that.

**Mr. Raynald Blais:** I would like to address another issue, if I have any time left.

Regarding the agreements with the marine industry—moreover, that is part of your presentation—we can only point out and express dismay that there is still no agreement with the marine industry relating to navigational aid services. I'm referring to ice-breaking services and the like.

As part of the work you have to do, do you consider the possibility of finally reaching this famous agreement with the marine industry? If it is not going well between the two parties, that not only distresses me, but at the same time, I feel somewhat concerned. I tell myself that ultimately, the coast guard should help the marine industry rather than hinder it. I would like to hear your opinion and comments on an agreement with the marine industry.

[*English*]

**The Chair:** Mr. Blais, you did well. You had 56 seconds to ask your final question and you took 78 seconds. That's not bad, but let's have a quick answer.

[*Translation*]

**Commr George Da Pont:** Frankly, I have met industry representatives at the national and regional levels several times since I became commissioner. Re-establishing relations was one of the priorities.

So we did two things. First of all, as the minister announced, for the first time in several years, we have launched a discussion with industry on the future of fees. That is their major issue. The discussions are underway. We have made progress, to some extent, and I hope we will reach an acceptable solution for both the government and industry.

Secondly, we specifically re-established the marine advisory councils with industry to have a place where we can truly discuss the key issues. Frankly, I have not received too many complaints about services. I have the impression that industry is satisfied with the

quality of the services. I have received many requests to increase services. In some regions, I have also received comments about service shortfalls, depending on the industry.

I have already made a commitment to industry to launch a general, overall and comprehensive discussion of our services and service quality. That will take some time, but I hope that together, we will be able once again to come up with solutions that are acceptable to all.

Personally, I feel we have established a good relationship. I have not received many complaints about services and service quality.

•(1215)

[*English*]

**The Chair:** Thank you, Mr. Da Pont.

Mr. Lunney.

**Mr. James Lunney (Nanaimo—Alberni, CPC):** Thank you, Mr. Chair.

Welcome to the Auditor General and the officials today.

We're having a challenging discussion today. I think everybody recognizes that the coast guard has been through a very difficult time that preceded Mr. Murray. I think he came on in 2003, and Mr. Da Pont came less than a year ago, and started to address concerns that go back quite a way.

I think the restructuring, when the coast guard was pulled out of Transport Canada, was back in 1995. From my involvement with the MCTS people on my coast, they went through a very challenging period of cross-training, amalgamation, reorganization, and downsizing. Everybody worked hard to try to make things work with fewer resources. Looking at the military, there was a period when they also had very severe budget restraints, and their top officer called it a decade of darkness.

In a sense, the report the Auditor General has brought here goes along with the concerns this committee has been trying to address for a number of years about the coast guard. We have the greatest respect for our hard-working officers who have been doing their best to make things work, with budget restraints and so on.

On what we want to see, I think all of us have a role in getting the coast guard on a new track. I hear some encouraging things like, "Let's look at the good things that come out of a reality check." The Auditor General's report clearly delineates where some of the problems are, and I'm glad to hear that some improvements are being made.

My first question is to the Auditor General. Looking back over the challenges of the past many years with the reorganization of the coast guard, your reports of 2000 and 2002, and reports from this committee concerned about some of the issues related to the coast guard and MCTS, was the coast guard given a budget to accomplish the objectives that were laid out for it?

**Ms. Sheila Fraser:** I really can't respond to that. We always hesitate to comment on the level of funding that should have been given to any department or agency. Those choices were made at a given time, and we believe it's important for departments to manage appropriately with the funds given to them, or to bring forward issues...if they aren't able to accomplish it they should make that known. We haven't specifically looked at that, so I would be very hesitant to say anything.

**The Chair:** [*Inaudible—Editor...*Madam Fraser. I think the question was, was there a transfer of budget when the coast guard was transferred?

**Ms. Sheila Fraser:** I assume there was.

The question is, was it sufficient or not? I really can't answer that.

**Mr. James Lunney:** To move on, we're managing an asset here in terms of the boats, the ships, that are out on the coast, with huge value attached to them, and obviously the replacement is a long-term plan.

So personally I'm glad to hear that there's an organization now looking at long-term planning for replacement of such valuable assets. It seems to me it's going to take us a while to get the finances in place to have that replacement move ahead. I'm glad to see that you're addressing it.

I'm concerned about officer training, because I notice the age of our officers, particularly with MCTS. They were under continual least-cost analysis pressures, and the replacement training of officers was way behind schedule. Many of them are on the edge of retirement.

Is there a plan in place to upgrade the training of officers?

**Commr George Da Pont:** That's a very good question and one that personally gives me a fair bit of concern, as I look at our demographics over the next four or five years. I've been very clear that if we don't begin with significant activities now, we may not have enough people with the right competencies down the road, given retirements.

We've taken a number of steps already. We've significantly increased the intake of new cadets at the Canadian Coast Guard College, from less than 20 a year to about 50 now for the next few years. We have done that over a 10-year planning horizon tied to the demographics.

We've also done analysis through the workforce development unit, which I mentioned, to identify our three or four other areas of significant risk, in terms of our key occupational groups.

Through our business planning process, I also hope that we will be able to resource some very specific activities for recruitment, enhanced training, and more career development to try to make sure we have the people we need down the road.

• (1220)

**Mr. James Lunney:** To move on to another question, we've had a bit of talk about navigational aids—

**The Chair:** I'm sorry, Mr. Lunney, but you're out of time as well. Everyone seems to be going over time today.

We're going back to Mr. Simms.

There will be another opportunity, I'm sure.

**Mr. Scott Simms:** You're a great shepherd, sir, I must say.

**The Chair:** It's quite a flock.

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

**Mr. Scott Simms:** Thank you very much, sir.

I'll look at the transcript to figure out how to take that.

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

**The Chair:** I'll bring my border collie next week.

**Mr. Scott Simms:** Excellent.

Mr. Da Pont, you mentioned earlier that in September you came to roughly the same conclusions as Ms. Fraser. What was done at that time to basically address them?

**Commr George Da Pont:** As I mentioned in my remarks, I was formally appointed to the position in September, but I had started the previous December on an acting basis. Having had some sense of some of the issues from my previous capacity, and also certainly from having carefully read this committee's 2004 report, for example, and others, I put in place what I called the A-base review to take a broad, comprehensive look at our funding, how we were utilizing it, our internal business practices, and our internal procedures and processes.

The report was finished in September. I didn't ask for a 100% report. I said give me an 80% report; I didn't want to take two years doing it. It was what we needed as an organization.

I also wanted it done internally by coast guard people for the coast guard, because one of the issues is always the perceived lack of credibility, when outsiders who don't understand your operation take a look at you.

I'm certainly not suggesting that's the case; I'm not suggesting that at all.

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

**Mr. Scott Simms:** I was going to give you the opportunity to make up.

**Commr George Da Pont:** Within the organization, I must say there is always this cultural reaction.

We had the team spend two full days with our management team on that report, so we understood the findings.

Obviously it was made available in its earlier forms to the Auditor General's staff. It came to mostly the same conclusions, and I rely on it very much.

**Mr. Scott Simms:** At that point you would just report it to the minister and—

**Commr George Da Pont:** We report it out, but then I also took a number of the actions that I did cite in my opening statement, to begin to put in place some of the capacities we needed to get on and do the work.

At the same time, we had put a lot of emphasis on fleet renewal, to update the fleet renewal plan, and to have a proposal for a next phase in the system.

**Mr. Scott Simms:** I'm way over my time, aren't I?

**The Chair:** Do you want to share your time with Mr. Cuzner? There are only five minutes, so I'm bringing that to your attention.

**Mr. Rodger Cuzner:** Is there going to be another round?

**The Chair:** Yes.

**Mr. Rodger Cuzner:** Okay, I'll get the next round if you want to do that.

**Mr. Scott Simms:** I don't know what to say.

Mr. Murray, you made a comment about strengthening the model with regard to some of the funding. You mentioned there was \$55 million in relief.

Could you clarify that for me, that particular money?

• (1225)

**Mr. Larry Murray:** Sure. In relation to a lot of the work that went in at a strategic level to change the organizational structure, to make it a line organization, we also looked at the department from end to end in 2003—

**Mr. Scott Simms:** Could you go back to the line organization?

**Mr. Larry Murray:** Sure. When I left the navy I came as associate deputy minister from 1997 to 1999, which was just after a fairly challenging merger. We were trying to make the structure work, which made sense from a fisheries' perspective. When I came back in spring 2003 there were pretty significant challenges, which this committee is well aware of, since your report actually helped change it. Among the things that I concluded within the first two weeks was that the reporting relationship wasn't working. We really did need to give the commissioner line authority. If the coast guard was going to be a national institution, then it needed national direction, so the change was to ensure that then John Adams and now George—that assistant commissioners worked as part of a team in the region, with regional directors general. The person who decided whether they got that performance pay you were talking about was the Commissioner of the Canadian Coast Guard. In other words, we established a line organization, but that's a cultural change. It takes time. The SOA has helped that, in my view, because it has made sure that if anybody else shows up in my job and decides to change it again, you have to go through legislation to get there, so it's unlikely.

**Mr. Scott Simms:** And that's enabled by the SOA that was set up. I guess my question was—

**The Chair:** You are over time. You will have another opportunity.

Monsieur Blais.

[Translation]

**Mr. Raynald Blais:** Hello again. I would like to go back to the issue of safety because I would like to understand the comments you

made earlier, Ms. Fraser, when you talked about chapter 2, entitled "Contributing to Safe and Efficient Marine Navigation".

In what sense was safety used there?

**Ms. Sheila Fraser:** As the Commissioner of the Coast Guard mentioned earlier, it is a support role to other organizations in terms of safety, but there is also an aspect of safety involved in search and rescue.

**Mr. Raynald Blais:** Is that the notion you used in your analysis?

**Ms. Sheila Fraser:** We described it as being part of the coast guard's mandate. Of course, we looked at the way in which management practices work within the coast guard.

**Mr. Raynald Blais:** Then you determined recommendations to follow. Visibly, on that aspect, my question is to determine if the recommendations that dealt with safety were followed, in your opinion, given the report that you are releasing today.

**Ms. Sheila Fraser:** All the recommendations are set out in table 4.1 of the report. As you will note, we have indicated that progress on all recommendations is unsatisfactory.

Are there any that may affect safety? Probably, yes. However, since progress is unsatisfactory, I wouldn't want people to conclude that this has a direct impact on safety. The impact has not been evaluated.

**Mr. Raynald Blais:** You can easily understand my question or my comment earlier, with regard to a particular line of reasoning: if we consider that the criteria in the management plan on safety have not been respected and if we voice concerns or recommendations in this regard and then acknowledge that they have not been followed, then ultimately, two plus two equals four.

**Ms. Sheila Fraser:** Perhaps, but as I tried to explain earlier, we are not doing the evaluation ourselves; we are really looking at the management practices. I am reluctant to conclude that because some recommendations were not followed, there has been a direct impact. Obviously, it is possible.

**Mr. Raynald Blais:** My reasoning is based, ultimately, on what I am able to understand and conclude from this. I imagine that, once a recommendation on safety has been made and is not implemented, there is a management problem somewhere. I am trying to better understand this problem in order to better follow up and verify whether, in fact, it is working and see whether things are improving or not. You and I both know that it is all fine and well to issue recommendations, but those recommendations must also be implemented and we need to know why when they are not.

• (1230)

**Ms. Sheila Fraser:** When we make a recommendation, as I said, it concerns systems and management practices. We do not assess the potential impact. In order to properly answer your question, these activities would have to be evaluated and we would have to verify whether, even if the recommendation has not been implemented, the coast guard has used other means or other processes to ensure that activities are not affected. We do not do those kinds of assessments. Perhaps representatives of the coast guard can tell you how they ensure that safety-related activities—

**Mr. Raynald Blais:** I have 60 seconds left. I would like to hear Mr. Murray or Mr. Da Pont speak to this, because this concerns me.

**Commr George Da Pont:** I would like to talk specifically about the search and rescue program. Although the Auditor General has found management problems, some facts are worth mentioning. First, with regard to rescuing individuals at risk, our success rate is approximately 98%. This is one of the best rates in the world. In recent years, our success rate has not dropped.

**Mr. Raynald Blais:** Numbers are great, but I'd like to know what this 98% means?

Thank you very much, Mr. Chairman.

[English]

**The Chair:** We're going to our next questioner, Monsieur Da Pont. That question was overtime.

You'll have another opportunity.

Mr. Manning.

**Mr. Fabian Manning (Avalon, CPC):** Thank you, Mr. Chair.

I'd just like to zero in, if I could, on the special operating agency. In April of 2005, the former government designated that Fisheries and Oceans would have a special operating agency within their system. I guess this change was intended to form the coast guard into a national institution.

I noted in your comments, Ms. Fraser, that in your view the coast guard still operates largely with five regional coast guard operations, instead of with the one national institution that was supposed to come from the SOA. I'm just wondering if you could elaborate—and maybe Mr. Da Pont may want to speak on it also—whether this status has posed particular challenges to the coast guard transforming itself into a national institution, notwithstanding the unsatisfactory progress in some aspects of that.

It seems there was some thought process at the time that the department was large enough to have maybe several SOAs, instead of just the one, and that it might be better off in regard to management if it had to do that, because my understanding is that the coast guard right now is the largest SOA within government.

I'm just wondering if you would—

**Ms. Sheila Fraser:** I really can't comment on that, I'm afraid. I mentioned earlier that we always hesitate to talk about funding levels. We always hesitate as well to talk about how government organizes itself. It really should be up to government to decide how it wishes to organize and if a special operating agency is the most appropriate way to operate.

I don't know if it is the largest or not. Again, we haven't done that kind of comparison.

**Mr. Fabian Manning:** I'm wondering, Mr. Da Pont, if you would like to comment on that, whether you see the SOA being the—I know that's what we're all striving for, to make it a national institution, but the fact that the Auditor General says we're still operating with the five different zones and—

**Commr George Da Pont:** Yes. Well, I think having SOA status and the framework that was put in place in 2005 give us a very effective tool to become more of a national institution. We're certainly not there yet, and we haven't made full use of that tool. But it's been in place only for a year and a bit, and the culture of having five regional coast guards goes back decades. You're not going to eliminate or overcome that culture overnight or in a year or two.

Certainly what being an agency does is it gives us a stronger identity within DFO. It gives us the opportunity to access some very special authorities relevant just to the coast guard, separate and apart from some of the departmental authorities. We have some, we are looking for others. It will give us, over time, the ability to become far more businesslike in terms of our relationships with the users of our services and developing a business plan, and the requirement that it be public, that it be with the board, is a good example of that.

But I think the biggest change in moving from five regional coast guards to one is there certainly are a number of management improvements that need to be done; there are certainly policies and procedures that need to be standardized. They exist. They are just different from one region to another.

Those are things that one can, over time, easily put in place. The harder part is the cultural change, for people to adjust to operating in a different way. I think we're making success in that, but realistically it's going to take time. It took decades of being five regional entities with lots of autonomy. It's not going to come together culturally in a year or two.

• (1235)

**Mr. Larry Murray:** May I just say that having come from a navy that has two navies, and it's always a tension, you have to be careful here as well, because actually there are some reasons why the five regionals...things are different. Some of the operations are different, and a cookie-cutter approach out of Ottawa isn't necessarily—

We need to be careful that we don't screw up that 98% number. However, we need to explain it and all that, but all that to say it's a high success rate in our key operational issues, and part of that is because of the way we operate. So we need to be careful in this stuff, that we end up with the right balance, and we're well short of bumping into too much national oversight on some of these things right now.

All I'm saying is operationally we have to be careful, because it's not entirely bad that people in Newfoundland take a different view and have a different set of imperatives than the people on the Great Lakes and the people in B.C. So this isn't just a question of “well, let's just roll on through here”, because the operational impact of doing it with a cookie-cutter approach out of Ottawa may produce something that has terrific management accountability but we can't save a frigging soul.

So we need to be careful about how we do this thing, because it's an organization that works at the coal face, but it does need to move into the 21st century.

**Mr. Fabian Manning:** No, it's—

**The Chair:** Thank you, Mr. Murray. Thank you, Mr. Manning.

Mr. Cuzner.

**Mr. Rodger Cuzner:** I want to look at two numbers Mr. Murray referred to. The first one is the marine search and rescue success rate, which is 98%. That's very reassuring to a group that's looking at going out on the ice to witness the seal harvest in a couple of weeks. We hope you keep your A-game there.

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

**Mr. Rodger Cuzner:** I want to go back to another comment you made with reference to support for DFO science. Out of close to 90 surveys in the Atlantic zone between 2001 and 2006, only two were not done.

I think that's a pretty good record; that's pretty good business, if that's a fact. I would think the newspaper article was probably a result of the tabling of Ms. Fraser's report. When we look at the case study, it refers to how the science sector has been unable to complete many of its multi-species surveys because of problems with the vessels. Not able to complete many of their surveys—I wouldn't think that two would be referred to as many.

I'm just seeing the divide between what we're seeing in the report and then further down in the case study as well. The vessel programs have significantly affected ongoing research; it's impossible to complete surveys. That's strong wording in the AG's report, but it doesn't mesh with what we're seeing as facts.

Perhaps you could each shed some light on it.

• (1240)

**Mr. Larry Murray:** We're in the same corner as the AG. My concern in responding to it...and in fact we played around with the words on that yesterday. I think if you were to go to our scientists, they would be where the AG is for sure. The reality is that the media report said there had been no surveys done. That's really what I'm trying to correct here.

People have really busted their butts to take ships out that are pretty old, to get most of the surveys done in some manner. The reality is only two were not done. I would say many of the others—and we've been trying to get the detail on this, and we couldn't get it out of the science sector before today. That's not to say they started on time; it's not to say they could do as many sets as they wished to do. I don't have the ability—

**Mr. Rodger Cuzner:** In the window of opportunity that's necessary to do the science.

**Mr. Larry Murray:** Yes, so I would say in terms of that, it's not a discrepancy. What the Auditor General has noted in her report you would hear from our scientists.

My point is that people did get to see and do a fair amount of work on fisheries science. So the minister isn't flying blind. A fair amount of it was done. Once we've had a chance to delve a little more into

the science sector, I'd be happy to try to give you a more accurate sense of what the impact was. I think it is an important question.

In putting these notes together, what we were trying to say is that fisheries survey work was done, and a significant amount of it. That's not to say the Auditor General's comments are inaccurate.

**Commr George Da Pont:** Mr. Chairman, I might say we did do some work and we did get some numbers that shed a bit more light on it. There were 89 resource surveys in Atlantic Canada; two were not done at all. Certainly, they were critical ones that were lost.

Of the others, 33 were affected by mechanical breakdowns—affected in the sense that the survey didn't take place exactly when it had been planned and had to be rescheduled, or affected by the fact that the survey had to be shortened or somehow adjusted. So that is very much in line with the Auditor General's findings. The numbers affected are significant.

Two were not done; about 50 did go as planned.

**The Chair:** Mr. O'Brien, you had a comment.

**Mr. John O'Brien:** Just to follow up on the commissioner's comment, I think that's a fair statement.

The issue, as we understand it—and obviously we're not auditing the science program. The intention is to get the surveys done at about the same time every year, to use roughly the same equipment, to get the coverage the scientists desire to reach their conclusions. To the extent you don't get that done, the surveys aren't fully complete—the information isn't as accurate as they would like to have input into the decision-making. Over time, this creates a problem for decision-making.

“Not complete” means they were not completed as planned and not completed to meet the objectives set out at the beginning of the survey.

**The Chair:** Thank you, Mr. O'Brien.

Who's next here? Mr. Kamp.

**Mr. Randy Kamp (Pitt Meadows—Maple Ridge—Mission, CPC):** [*Inaudible—Editor*]

**The Chair:** No, you're at five minutes and 44 seconds.

**Mr. Randy Kamp:** That was Mr. Cuzner.

**The Chair:** Oh, Mr. Blais, I apologize. I would never cut your time, ever.

[*Translation*]

**Mr. Raynald Blais:** I would like another two minutes. We take all the minutes and seconds we can. I don't know whether, at some point, we could audit the chair's work.

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

**Mr. Raynald Blais:** With regard to the answer that you are about to give me with regard to the 98% success rate, I would like to make sure I understand correctly. A number is a number, and to understand it properly, I want to understand what this 98% means. What is this percentage based on? On what data?

•(1245)

**Commr George Da Pont:** First, I must say that the coast guard is not solely responsible for the search and rescue program. We are part of a network that includes National Defence, the police, operations centres and search and rescue coordination centres. So we are one of a number of agencies responding to emergencies.

The interdepartmental secretariat, which is responsible for the program as a whole, keeps the statistics.

We respond to a large number of calls. In some cases, depending on the response time, it's clear that people may be in danger. As I said, in 98% of all cases, we respond on time, without any loss of life. To some extent, this figure is based on the response and on the assessment of—

**Mr. Raynald Blais:** I still need more clarification.

For example, the coast guard receives a request to do a search and rescue operation. If no ships are available, for various reasons related to the problems we talked about earlier, is this call included in the statistics or, because the services weren't available, is this excluded from the statistics? So, the numbers may be off.

**Commr George Da Pont:** The program does not solely take into account the response by Canadian Coast Guard vessels. The closest ships will respond to the call, whether they belong to the coast guard, National Defence, fishermen, or an industrial ship, could also respond.

If it is a large-scale emergency, the search and rescue coordination centres will identify it as such. This is an interdepartmental group. Which ship is closest and can respond the fastest? It becomes a question of fastest response time. If it takes about half an hour for a given vessel to reach the site, that ship will obviously be asked to respond. We will not ask a Canadian Coast Guard vessel to respond, even if it is available, if it takes that ship an hour to reach the site. Furthermore, we also use National Defence helicopters. As I have already mentioned, this is a rescue network. The calculation is based on the efficiency of the entire network, and not on each of the parts.

**Mr. Raynald Blais:** Let me ask the question differently. Are you satisfied with your search and rescue record?

**Commr George Da Pont:** Mr. Gadula has a lot of experience in this area, so I will ask him to answer.

[English]

**Mr. Charles Gadula (Acting Deputy Commissioner, Canadian Coast Guard, Department of Fisheries and Oceans):** I think we are very comfortable in Canada with the national search and rescue system, and our statistics are based on the contribution of everyone to saving lives. So if you have vessels of opportunity, if you have coast guard auxiliary members, if you have Department of National Defence, or if you just have a vessel or a recreational boat passing by, all of these contribute to the statistics.

We've changed the way we do SAR and have moved basically to an inland fleet of small lifeboats, spread across the country strategically. But we only place the coast guard resource, or the federal resource, when we cannot find local volunteers who can be part of the coast guard auxiliary. So placing a primary vessel as the coast guard in an area is the last choice, not the first choice.

Right now we are doing an SAR needs analysis, which we expect to have completed by June of this year, I believe. At that time we'll be able to say whether or not we have any gaps in the safety net across the country. But at this time—with the exception of the Arctic, where we have few resources—we haven't identified areas where there is a crying need for us to put in a primary SAR resource. But what we do on a regular or annual basis at the regional level is to look at small SAR zones within a specific region and determine whether or not we have to emphasize recruitment and whether we have to work more with our partners, and we evaluate whether or not there's significant risk in that area for vessels being in trouble.

The statistics are driven by reported incidents to the joint rescue centres or to the marine rescue subcentre in Quebec City and into the national system, by whoever is in trouble, distress or imminent distress. So the statistics would not include saving the lives of people who are out on Sunday afternoon on a fine day and who just run out of gas.

•(1250)

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

Mr. Kamp.

**Mr. Randy Kamp:** Thank you, Mr. Chair.

Thank you, Ms. Fraser, Mr. Murray, Mr. Da Pont, and the others for coming. I just have a couple of general questions; my colleagues have asked some specific ones, and I think Mr. Lunney might have another one or two.

I guess my first question is a two-part one for Mr. Murray and Mr. Da Pont. First of all, are there any facts in the Auditor General's report with which you disagree? Second, are there any conclusions she makes that you disagree with?

**Mr. Larry Murray:** No.

In fact, I think the concluding recommendation is particularly helpful in the circumstances the coast guard finds itself. I think it does point the way ahead, and obviously we need to do that with the Treasury Board involved. As I say, we will be sharing the way forward with them and getting the help of the AG's view of the way forward, and we would be happy to share this with the committee.

But I think we agree with the report. We're particularly grateful for the nature of the recommendations, because we didn't need 24 more things to figure out, but we need to move forward and attack important priorities.

**Mr. Randy Kamp:** My second question is for Ms. Fraser, and it's also an easy one.

You said in paragraph 11 of your prepared remarks that one of the reasons for unsatisfactory progress was that the coast guard didn't prioritize its actions. Then you went on to say that it attempted to address all of the recommendations to improve management of its fleet at once. So I'm curious if you would rather have found in this audit that they had concentrated on just two or three of the recommendations you had made and not made any progress on the others?

How do you view that?

**Ms. Sheila Fraser:** I can perhaps respond by referring to other audits we have in the same report. In this overall report, we did seven audits. In five we indicated government was making satisfactory progress. I would say there was only one audit where you could say everything was done. There were many areas where there were still significant challenges left for the departments. But we could see they were making progress and they had a plan, and you could tell that the items that could be done within a year generally were done within a year. What were left were things that were going to take longer.

That's why we're really encouraging the coast guard. We're very pleased to see they're indicating they will integrate this into their overall business plan, set timelines, and be more realistic about achieving progress, because there are very significant issues that will not be dealt with in a very short time period.

So if we can see some of the easier ones are being dealt with and can sense, yes, there is a management commitment and progress is being made, that's what we're looking for essentially.

**Mr. Randy Kamp:** Thank you very much.

**The Chair:** Mr. Lunney, you have approximately two minutes.

**Mr. James Lunney:** I have two minutes and two questions. It's tough.

I wanted to draw attention to the section starting with paragraphs 4.55 to 4.65. You're dealing with navigational aids, and you draw out that during the budget process there the financial savings the coast guard proposed were not realistic. They talked about \$15 million in savings by reducing traditional aids, and yet we recognize that not everybody is equipped to use modern aids. So foghorns, lighthouses, and buoys are still very important on a coast, especially where we are. We have a lot of people who aren't professional navigators out there.

I'd like to know that we have a realistic plan to maintain all of the aids that are going to be necessary, the modern ones that we're moving towards but also the traditional ones that others depend on. Do we have a plan to get there?

My second point would be on the lighthouses, the heritage situation. We have a bill proposed by Senator Carney now to deal with the heritage aspect of lighthouses. Has anybody considered using lighthouses as bed and breakfasts and letting them become revenue-generating, to justify maintaining a presence there for search and rescue by having some revenue generating? And maybe it could be transferred to Heritage Canada, or Parks Canada, or somebody else, with the assistance of the coast guard to maintain them.

There are two questions.

• (1255)

**Commr George Da Pont:** I have a couple of points on that.

First of all, in terms of the aids to navigation issue, in fact in January we announced a fresh approach to that in an initiative that we're calling "Aids to Navigation in the 21st Century (AToN21)". It replaces the initiative that I think this committee has seen under the label of "Marine Aids Modernization".

We did that for two reasons. One is to be able to take a different approach based on a national approach rather than on individual, piecemeal regional approaches, which, as the Auditor General flagged, was one of the contributing factors to limited success with the previous one.

We are basing it on developing actual sound business cases for the changes, and we have made a commitment that we would discuss these with the users of the services, with the unions, with our own staff, and use that as our strategy to begin to get people onside. Quite frankly, I wanted to divorce it entirely from having a philosophy that it was intended to cut costs. I don't think you can go to the users of our services just with that. I think you have to base it on the fact that you're there to improve or maintain service, to take advantage of new technologies.

I hope and I expect in many of these cases that over the long run there will be cost savings. But when we were going to people, saying, we're doing this to cut costs, you can appreciate that the users of the service were not entirely receptive to sitting down. So we have re-based the initiative in that fashion, and I think if we take that approach over time we will make progress, and I think over time we will get some savings, but certainly not in the context and in the timeframes that we had originally envisioned under the previous versions of that plan.

**The Chair:** Mr. Da Pont, I know Mr. Cuzner has a question, but perhaps before we go to Mr. Cuzner's question, I have a quick question.

Part of the cost-cutting measures that the coast guard brought in were related to the fact that a lot of the permanent full-time jobs became term positions. You've talked about recruitment and the number of cadets you're graduating, and that may apply for some of your cadets who will come into the officer corps, if you will, but what about the deckhands? What about the crews? Has there been any consideration given to the expertise and the professionalism of that group, many of whom, by the way, will go on and become officers on board, and actually training them to become permanent, full-time positions instead of those temporary positions they're engaged in now?

**Commr George Da Pont:** Yes, very much so. In fact, I've already had discussions with the relevant bargaining agents, to work with them to set up a permanent relief pool for a ship's crew that would replace our current use of terms and casuals in that area, to give, as you've indicated, more solid guarantees of employment to people, but also to justify more significant investment in training because they would be full-time people.

We hope to develop that program in cooperation with the bargaining agents over the next while.

**The Chair:** Thank you.

I'll go to Mr. Cuzner for a final question.

**Mr. Rodger Cuzner:** It's a final question, yes. It's on something Mr. Lunney put forward.

In your presentation, Ms. Fraser, you had identified that the modernization was slow.

I thought back to an action undertaken by the late Pope John Paul. Before his passing, he had issued an apology to a group of Greek Catholics who were wronged back in the year 1260. If the Catholic church is just getting around to those files, I don't think we're in bad shape at the coast guard. We're doing okay, and your office has the ability to go back.

Mr. Da Pont, I know we don't go into initiatives or capital investments solely for the purpose of saving money, but it is often a rationale. We want to continue to provide services, but it is often a rationale and a justification for significant capital investment.

But is it typical, not only in this case but in any case, that your team would reach back to see the projected cost savings of an initiative, and then you would measure whether or not they are successful?

• (1300)

**Ms. Sheila Fraser:** We would expect the departments to do that. If it is one of the major objectives of a program, we would expect any department to then establish the baseline to be able to track those savings and make sure they are realized over time.

We have looked at it in several programs. I think in many cases, and probably in most of the cases, we found the departments weren't

tracking it. They either hadn't established a baseline or weren't tracking it over time.

If a program comes forward where the government says they expect savings, we will often encourage the department to make sure they put the proper measures in place to be able to demonstrate that.

**Mr. Rodger Cuzner:** I think it was a fairly significant selling point on some of the nav aids. Is there a tracking system in place now for tracking those savings?

**Commr George Da Pont:** There's a tracking system for the savings, but I'm afraid there haven't been a whole lot of savings to date.

**Mr. Rodger Cuzner:** It may need an additional investment. You made a reference to infrastructure.

Thanks.

**The Chair:** I would like to thank our witnesses very much for appearing here today. It's an extremely topical and important subject.

We appreciate the discussion. We appreciate that you appeared. Thank you.

The meeting is adjourned.

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