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Chair

Mr. Fabian Manning

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• (1535)

[English]

The Chair (Mr. Fabian Manning (Avalon, CPC)): I call the meeting to order.

I'd like to welcome everybody here. Good afternoon, members of the committee, ladies and gentlemen.

Today, pursuant to Standing Order 108(2), and as agreed at our first meeting last week, the committee is recommencing its study on the operation and maintenance of small craft harbours, as begun last session. We'll discuss the details of how the study will proceed during the second part of today's meeting.

I want to welcome our witnesses: Mr. Hegge, Mr. Bergeron, and Ms. Leduc. I will call on Mr. Hegge to make some opening comments in a moment.

Just to advise the committee, we requested the presence of the deputy minister, as suggested at last week's meeting, but she is not available until December 5. So instead of one witness, we ended up with these three fine people at the end of the table. I'm sure they'll enlighten us on any discussions that we may have. We reserve the option to call the deputy minister, if need be, at a later date, but she wasn't available now.

Mr. Hegge, I'm going to ask you to make your opening comments and maybe to introduce the people with you and their roles. And we'll go from there.

You have ten minutes, sir.

Mr. Cal Hegge (Assistant Deputy Minister, Human Resources and Corporate Services, Department of Fisheries and Oceans): Thank you, Mr. Chair.

First of all, I've been in front of the committee several times, but for the new members, my name is Cal Hegge. I'm the assistant deputy minister of HR and corporate services. One of my responsibilities, obviously, includes small craft harbours.

I'm joined today by Robert Bergeron, who's the DG of small craft harbours in the national capital region headquarters; and Micheline Leduc, who is, for lack of a better description, our chief engineer. Micheline is quite involved in all of the maintenance issues with the small craft harbours and has been with the program for a number of years.

First of all, I'd like to acknowledge the new chair. Mr. Chair, we congratulate you on your appointment.

I'd also like to acknowledge the new members, Monsieur Lévesque and Mr. Allen, who I've had the pleasure of meeting. We look forward to continuing our important work with SCOFO and, in particular, on small craft harbours.

I do bring regards from our new deputy minister, Michelle d'Auray, who, as the chair mentioned, couldn't be with us today, unfortunately. But she will be here, I guess, in December, and at the wishes of the committee. I can tell you, as an aside, that she has a very keen interest in this program and considers it to be a very high priority within the department.

What I'm suggesting we do today, Mr. Chair, is not particularly novel, but to re-present the deck we used for the committee last May. It has been updated somewhat, and it might serve to refresh committee members with some of the challenges of the program.

I will go through the deck fairly quickly, because, as I said, it's not new to most of the members. I believe this is in the context of the particular study the committee is going to continue with. And I note with interest that on Wednesday you will have before you a couple of our regional directors from small craft harbours, in continuation of the regional presentations you started.

I believe the deck has been distributed.

[Translation]

I hope that you have the French version too.

[English]

I will speak primarily to the English deck.

On the second slide we have the presentation of the small craft harbours budget, which, as you can see, this year is roughly \$99 million. It will be reduced next year and subsequently. I shouldn't say it will be reduced—we're always hopeful we'll get some additional funding—but as the situation currently stands, we're projecting the budget for next year would be about \$94 million.

I have just a couple of points to explain the difference. I think this is information that has been in front of the committee before. You will know that we did receive some additional funding through our transformational plan. For small craft harbours, \$11 million was allocated for last year and this year. That drops to \$8 million next year and subsequently, which explains \$3 million of the difference.

As you will note from the third footnote, we are losing \$2.2 million that had been dedicated to a special project with respect to aboriginal harbours, so that explains the difference.

It's always a bit confusing when we talk about departmental enablers. The way to look at that, I guess, is to focus primarily on the bottom lines and not get too engaged in the enablers, because they're not part of the small craft harbours budget per se. We allocate our enabler functions to all of our program areas. The figures you see there attributed to the enablers don't increase the amount of money available for the program. That's simply a portion of the support costs, if you will, to the small craft harbours program. And we do that right across the board in our other program areas as well.

On page 3—and I'll come back to each of these program issues in subsequent slides—we have identified the key program issues, all of which I think are fairly familiar to this committee.

We have an ongoing maintenance shortfall in our budget to maintain our core fishing harbours, of which there are approximately 750.

The harbour authorities on which we depend very heavily and with which we have a close partnership are increasingly being affected by fatigue, and they obviously need further support. I'm aware that the National Harbour Authority Advisory Committee actually met with this committee on March 22.

We also have an issue with ongoing divestiture of our non-core fishing harbours and recreational fishing harbours. Again, we'd like to accelerate the pace of divestiture.

And last but not least, I think this committee is aware that Nunavut has established a requirement for seven small craft harbours, which we feel is a legitimate request. Unfortunately, we don't have sufficient funding within our budget to address that requirement.

Page 4 reflects our small craft harbours vision, which you have seen before. We would like to maintain the national network of harbours in good working condition, so that they are safe and reliable to meet the principal needs of the commercial fishing industry. We would like to have these harbours managed by independent, strong harbour authorities.

Our longer-term vision is to see these harbour authorities increasingly take up responsibility commensurate with resources and training and development for the harbour authorities so they can contribute even more to the minor maintenance activities and in fact eventually provide increasing financial contributions to the maintenance of their harbours.

Moving on to slide 5, as you are aware, we did a study of the condition of the core fishing harbours back in 2002, which basically confirmed our suspicion that we lacked financial resources to maintain the harbours in a safe, reliable condition. We have updated these figures a couple of times. The bottom line, as you can see in the final bullet, is that we have a funding gap on an ongoing annual basis of \$32 million this year, which will increase to \$35 million because of the difference between the \$11 million and the \$8 million, which I explained earlier. So this is an ongoing shortfall that we

require to enable us to not only maintain the harbours, but to recapitalize them as required.

Turning again to the harbour authorities, as I said earlier, we depend very heavily on this partnership, which we think functions quite well notwithstanding some of the pressures and the resource shortfall. There are about 5,000 volunteers who are a part of the harbour authority chain, and they generate approximately \$11 million towards the maintenance of the harbours. It has proven to be quite effective and responsive, but obviously we need to provide them, or would like to be able to provide them, with more ongoing support. We do what we can through various training and the provision of tools, but clearly we would like to be able to provide some more financial resources to address some of the fatigue and other issues with respect to harbour authorities.

• (1540)

To enable us to generate more revenue through the harbour authorities would require, of course, bringing up the condition of the core fishing harbours to a better condition than they are now. It's very difficult to argue that they should be generating more revenue when the condition of the harbours is such as it is. Nevertheless, we do have a strong partnership. I think some of that came through in the presentation that the harbour authorities made to you last March, and we will continue to build on the strength of that partnership.

Moving to slide 8, where we talk about the divestiture issue, we still have about 340 harbours to divest. The distinction I want to make there is that these harbours likely will entail cost implications. We do have a number of harbours that are in various processes of being divested that are not going to require any additional spending by the department. The way to look at that 340 total is basically harbours that we have not really been in a position to spend money on to start the process.

This is slightly improved from the presentation I delivered to you last May, which reflected 354 harbours, so we are making progress, albeit on a modest basis.

As you can see, we dedicate \$1.5 million of our limited budget toward divestiture. That's basically all we can afford, given the other funding pressures experienced by the program.

As you'll see on slide 9, a figure that has been in front of this committee before, we estimate that if we could get an additional \$82 million over a five-year period we would be able to finalize the divestiture of the remaining harbours.

Turning to the Nunavut harbours, I believe the committee has seen the report we worked on with the Nunavut government, which basically builds a rationale for seven fishing harbours in Nunavut to assist their growing fishing industry and to contribute to the economy of their government. Unfortunately, if you look at the cost associated with the construction of these harbours and the ongoing maintenance requirements, which are reflected on slide 11, given the nature of the budget and the pressures on the existing budget, we simply do not have any additional resources that we could provide to the construction of these harbours. We are hoping to solicit some additional sources of funding to be able to advance the construction of these harbours.

Finally, turning to what we call program delivery or internal management, if you will, on slide 12, we've been doing some things within the department to improve the efficiency with which we deliver the program. We've been working, for example, with Public Works and Government Services Canada on finding more efficient ways to administer and manage contracts, again, with training to delegate more responsibility to the harbour authorities in this regard, which we think will achieve savings in the long run.

Through our functional review, which is coming to a conclusion this fiscal year, we are looking at the distribution of resources we have across the country with respect to our regional operations and looking at ways to level the playing field a little bit more in that direction. After the review and its recommendations are finalized then we will be developing an implementation plan, which we'd like to launch early next fiscal year.

That concludes my presentation, Mr. Chair. We'd be happy to do our best to address any questions the committee might have.

• (1545)

The Chair: Thank you, Mr. Hegge. You are within the time limit.

Just as a note on the report on the establishment of the seven harbours in Nunavut, we haven't received that here yet.

Mr. Cal Hegge: I have a copy here that I can leave, but we'll certainly make sure you get that.

The Chair: Could we get a copy for each of the members of the committee over the next day or so, just so they have it? Thank you.

We'll go to questions. We'll go first to Mr. Byrne.

Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.): Thank you very much, Mr. Hegge.

You painted a picture that's pretty bleak. You haven't minced any words. There's a huge funding gap in the Department of Fisheries and Oceans for small craft harbours. Your presentation notes approximately, over a five-year period, a \$165-million shortfall for basically maintaining current standards of harbours. With the Nunavut request for seven harbours, there's an additional \$43.9 million on the table, with another \$1.8 million following to go with that. There's the divestiture program, which is completely unfunded.

How much money do you need to basically enact your objectives of divesting harbours, maintaining, and putting those existing harbours up to scratch, and of expansions for aquaculture for Nunavut and other projects? Over a five-year time period, what would you actually need your minister to go to cabinet with and for Treasury Board to obtain?

Mr. Cal Hegge: It's a pretty big number, as you indicated. I guess if we look at it in the following way, the maintenance, which is the critical part that we're short, is, as I said, \$35 million a year. That, over a period of time—and it would be probably a fairly lengthy period of time—would enable us to get all the harbours up to a reasonable condition and to move to a total cost of ownership.

Hon. Gerry Byrne: Could I just interrupt you? What period of time do you think? You said a lengthy period of time. In other words, you're not talking about five years.

Mr. Cal Hegge: I'm guessing here, but I would say 10 to 15 years.

Hon. Gerry Byrne: If there is \$35 million each year for 10 to 15 years, over and above what we currently....

Mr. Cal Hegge: That's right.

Another way to look at it, and I'm not sure we could do this even if we had the money, but if you were to ask me—and maybe you were—how much money would you need to get the existing core fishing harbours up to what we would consider to be a safe, reliable condition, that figure would probably be in the range of \$475 million over five years to do that.

Hon. Gerry Byrne: Would you be able to complete that job in five years?

Mr. Cal Hegge: Given the state of the construction industry and some of the issues we would probably have around implementation, it's debatable whether we could do it, even if we had the money over five years, but that's speculative.

Hon. Gerry Byrne: This is just to be clear. The \$450 million over five years is just simply to bring existing harbours to the engineering integrity they were intended to have, not to improve, not to expand on capacity or capital, and not to build any new infrastructure. It's just to bring up existing stock to the engineering level that was intended.

Mr. Cal Hegge: I think it's probably closer to \$475 million, but it's a big figure, yes.

Hon. Gerry Byrne: That's a huge number over a five-year period. Plus, you're talking over a 10- to 15-year period. Could you put that in perspective again?

• (1550)

Mr. Cal Hegge: If we didn't get the infusion, let's say, that big number over five years, then we would continue with the \$35 million every year, and within maybe 15 years we would eventually get to where we would like to be.

Hon. Gerry Byrne: But we still have the Nunavut issue, where there's new capacity, new stock being requested, and then we also have growing demands from the aboriginal first nations fisheries, from aquaculture. Would you be able to put a price tag on new expectations to the industry?

We've talked a little about just maintaining our existing base. That's \$475 million. Then we have Nunavut. We know that's approximately \$43.9 million, plus \$1.8 million on an ongoing basis for operations. We have new and emerging fisheries in the traditional sector from existing commercial fishermen. They haven't really talked about that too much. The three elements here would be aboriginal fisheries, aquaculture, new developments because of aquaculture, and serving traditional entrants into the fishery. Is there any price tag you are scoping that you could provide to the committee about that?

Mr. Cal Hegge: I wouldn't be prepared to do that today, but we certainly can acknowledge the pressures on the usage of the existing harbours for the very reasons you've mentioned. I would add the different boat sizes that we're starting to see. We know there's growing pressure on the existing capacity. That would be another cost over and above the figures we've been talking about.

Hon. Gerry Byrne: I would specifically relate it back to the vessel replacement rules. Has the policy branch been in discussion with the small craft harbour branch to ensure that repercussions or consequences of the vessel replacement policy...that the small craft harbour infrastructure budgets are prepared to meet those upcoming expectations or demands of a potential vessel replacement policy that would allow vessels of up to 90 feet in length now to be on the water?

Mr. Cal Hegge: To be fair, I would say they were aware of those implications. Again, we haven't had any detailed discussions with our colleagues in fisheries and aquaculture management or policy.

Hon. Gerry Byrne: I want to delve a bit into program management. For example, only last week there was a big news announcement for western Newfoundland, \$2.8 million invested into small craft harbour infrastructure. Was any of it new funding, new commitments to new projects, that you're aware of?

Mr. Cal Hegge: No, those would be part of our planned expenditures. We would take the source from our existing budget, including the \$20 million that, as the committee knows, was to have been sunsetted but is continuing on. These are all projects in our expenditure plan that were basically planned expenditures, depending on the time and availability of resources and the priority of the projects.

Hon. Gerry Byrne: Most of them were actually meeting contractual commitments that had already been signed, so it was simply a cashflow sort of thing. Projects are continuing, then—is that what you're saying?

Mr. Cal Hegge: I think we would be just starting some of them, probably, without any existing contractual commitments at the time, but I'd have to turn to Micheline to....

Mrs. Micheline Leduc (Director, Harbour Operations and Engineering, Department of Fisheries and Oceans): I don't have the detail with me, but I think about seven harbours were receiving funds from that \$2.85 million. A number of those were new projects and some of them were contractual carry-overs.

Hon. Gerry Byrne: What would have been the source of delay? November's a pretty tough time to do construction projects in the Gulf of St. Lawrence or in the northeast Atlantic.

If there was to be new construction and authorization was being given to proceed to a contract, what would have been the source of delay for the announcement to occur on November 16? I think that was the exact date. Not a huge amount of actual construction can hit the ground at that point in time on the Gulf of St. Lawrence or the northeast coast of Newfoundland.

Would you be able to comment on that?

Mrs. Micheline Leduc: Actually, the projects were approved earlier in the year. I guess the minister's office chose to make the announcement in November. But all of those projects were approved earlier in the fiscal year, and therefore those projects were

commenced earlier in the fiscal year. For those projects that were already in progress, it was simply a continuation of the projects.

Hon. Gerry Byrne: In terms of the management cycle, are there any other projects that have been forwarded by regional officials and are being mused about by the small craft harbours HQ, still looking for funds, or have we now completed and exhausted the funding level for fiscal year 2007-08? Or are there still approvals or projects that are awaiting consideration?

• (1555)

Mrs. Micheline Leduc: All the funding has been committed to date, although there might be some approvals or announcements that still remain to be made publicly. The budget for small craft harbours has all been committed.

Hon. Gerry Byrne: What would be the cause of the delay in the announcement of those projects? I assume that you cannot proceed with contractual authority to proceed until either the announcement is made or the minister signs off on it.

What you may be indicating—you could be clear to the committee.... Are there projects that could actually be authorized to proceed within this fiscal cycle, within this fiscal year, that have not yet been authorized to proceed? We're at a situation where it's November, so we actually have to spend funding within this fiscal year. However, because the approval process has not been completed, are we facing a crunch that those projects may not actually be undertaken?

From a project planning, construction, and project management cycle, if that were to be the case, I would assume we're not working with a best practices model here. The delays would cause some concerns to those involved in the contracting and construction processes.

Would you be able to comment on that?

Mr. Cal Hegge: I don't think that's a—

The Chair: We have time enough for a brief answer to his question.

Mr. Cal Hegge: I was simply going to point out that we have an annual expenditure plan that would include most of these projects, if not all of them. As Micheline said, I think there's sometimes a bit of a delay in terms of when the project is actually announced and when the work is actually started.

The other thing I would mention in terms of our budget is that we do have some storm damage assessments that have come in recently, because of storms in various parts of the country. We are looking at how we're going to fund those, as well.

The Chair: Thank you, Mr. Moore.

Mr. Blais.

[Translation]

Mr. Raynald Blais (Gaspésie—Îles-de-la-Madeleine, BQ): Thank you, Mr. Chair. Here we are back at work; once more into the breach, as they say.

First, for the record, I would like to express my disappointment at not seeing the deputy minister here today. You started by saying that this matter was a priority for her. It is a priority for us too. When a matter is a priority, we act accordingly. I am disappointed that the deputy minister can only grace us with her presence in December. I will be able to tell her so personally, but I would also like to make it known today that, in my opinion, it makes no sense.

I know that the committee and people who live this situation every day have worked diligently to make the minister aware. I feel that a significant level of awareness has been reached in the last few months. I saw this as positive, but I am beginning to doubt whether the minister is really interested in moving the matter forward. If the new deputy minister is not interested either, that is not a good start. I hope that she will be able to answer my questions on the subject.

But I feel that the questions from my colleague and your answers attest to the fact that, without a massive investment, the situation is going to get worse. In other words, what cost \$400 million in 2004 now costs \$480 million according to your estimates. I would suggest that it is even more. So the situation is getting worse because not enough money is being spent on maintenance. I see that as irresponsible. In a way, the inevitable is already happening. Wharves are closed and out of bounds to fishing vessels because of concerns that they are not safe. Fences have been erected as a result.

I am not going to ask you to express your opinion on the matters that interest or concern the deputy minister. But I would like to know if it is your impression that we are heading for the point of no return if changes are not made.

• (1600)

Mr. Cal Hegge: I always prefer to be optimistic. It is true that we do have a clear and serious lack of resources, but we continue to work closely with central organizations like the Treasury Board. I feel that they are aware that this program lacks resources. I cannot say that we are going to get more money in the immediate future, but that is always our expectation.

As the chief financial officer of our department, I can say that we are short on resources in several other areas of our capital budget. I think that this committee is aware of the situation. It is not as if we had the flexibility to transfer funds from one program to another, for example.

I would like to repeat one thing that I said at the beginning: the deputy minister is well aware of this program. I have personally spent a number of hours with her explaining the problems and briefing her on the challenges. She considers the program one of the department's key priorities. I hope that she will have a lot to say when we appear next time. That will be on December 5, I believe.

Mr. Raynald Blais: If we have time for her.

As I look at the small craft harbours funding problem, it seems to me that there are six places, or areas, or envelopes where we ought to be investing. There is the area of maintenance and repair, of course, which is very important in its own right. There is the question of Nunavut, which takes up \$49 million according to the figures I have seen. There is the divestiture program which once, let us not forget, was \$61 million but is now up to \$82 million, a lot more money.

In another envelope, we have development issues. We talk about maintenance and repair, but not about development, except for Nunavut. I would also like to talk about development, both in Quebec and elsewhere in the country.

We must keep two other concerns in mind. First, there is climate change and its effects. You know as well as I do that the situation is getting worse, and without immediate action, it could get dangerous. Also, as Mr. Byrne mentioned, the present fleet in comparison to what it used to be. I imagine that that is also a factor in the budget.

Do you see any other areas that should be considered in an exhaustive study of funding needs for small craft harbours?

Mr. Cal Hegge: I feel that the list is just about complete, but I would add the funding necessary to provide additional support to our harbour authorities. The amounts are not as large as in other categories, but I think that more support is needed in that area. With that addition, the list is pretty complete.

[English]

The Chair: Thank you, Mr. Hegge and Mr. Blais.

Ms. Bell.

Ms. Catherine Bell (Vancouver Island North, NDP): Thank you, Mr. Chair.

I'm sorry I wasn't here last March to hear the discussion, and I haven't had a full briefing on this subject. But I come from the west coast, and I just want to make sure that the programs apply across Canada on all three of our coasts—west, east, and north.

As to the divestiture program, is that the program that's been going on for a number of years to divest the government of small wharfs such as Denman Island, Nootka Island, and those places I represent?

• (1605)

Mr. Cal Hegge: The divestiture program was basically introduced during the time of program review in about 1995, when it was agreed that we would eventually get out of the business of recreational harbours and non-core fishing harbours across the country.

Ms. Catherine Bell: We've lost some capacity in our small communities because we cannot afford to maintain the wharfs and they have fallen into even further disrepair. I know there are many organizations trying to get some funding from the federal government, as well as the municipalities and the province, to bring back some sorts of wharfs on our small islands, which are growing rapidly but don't have access.

Is there money in here allocated toward any of that, or would that be another program?

Mr. Cal Hegge: If I follow you correctly, I can say categorically that our existing budget is virtually dedicated to those approximately 750 core fishing harbours I alluded to.

We continuously get requests from other well-intentioned groups that would like federal funding to enhance their harbours or wharfs, but unless it's a scheduled harbour and part of the core fishing harbours we unfortunately have to tell them we don't have the funding for that. So if what you're alluding to falls into that category, unfortunately we do not have any resources to do that.

Ms. Catherine Bell: So the divestiture program is still going on, and you're trying to get the small craft harbours into a state of repair that someone would actually want to take them over.

Mr. Cal Hegge: Yes, and we're prepared to divest ourselves of them for a very nominal fee. We have kind of a priority order for the groups we would look at divesting to. We have to consider the federal government first, the provincial governments, municipalities, aboriginal, not-for-profit, but we have divested and will continue to divest ourselves of a number of harbours, of which we no longer have a need, to interested third parties for nominal fees.

Ms. Catherine Bell: So with what's remaining then, there is obviously a huge funding shortfall in what's required, from what I understood in your document, and also an issue of volunteer fatigue. I just wondered what's happening to address that aspect of it.

Mr. Cal Hegge: On the volunteer fatigue part, I think we have, as was represented by the National Harbour Authority Advisory Committee itself when it was in front of the committee last March, a very good partnership. Both parties to this partnership recognize the challenges of the program. We meet regularly with the executive committee, with the advisory committee.

Coincidentally, we are meeting with the National Harbour Authority Advisory Committee this week here in Ottawa. That's made up of 15 members across the country, and we do what we can with them. We have regular workshops. We provide the tools we can, maintenance manuals, etc. We provide sessions on some of the environmental concerns with respect to harbours, which are increasing. We provide whatever training we can within our limited budget.

We would like to be able to have, as I said earlier in response to Monsieur Blais' question, some additional funding—it's not a huge figure—to be able to put forward to enhance some of the issues with respect to the harbour authorities, and to perhaps help them with succession planning and additional training. There's a very low turnover rate among these 5,000-plus volunteers that I mentioned, so working to bring in some new blood, if you will, and finding ways and means to help them in the volunteer work they do is something we would like to do a better job of.

The Chair: Thank you, Mr. Hegge, Ms. Bell.

Mr. Keddy.

Just note, there are ten minutes for this side, and they're going to split the time between Mr. Keddy and Mr. Calkins. It's five minutes each.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): I will save five minutes for Mr. Calkins.

The Chair: Yes, you will.

• (1610)

Mr. Gerald Keddy: Welcome to our witnesses. Before I start, if the witnesses would indulge me for a second, I'd just like to

congratulate our new chairman. It's my first opportunity to be at this committee since we've come back, so I'd like to congratulate our new chairman. He'll find that we have a great group here to work with, and it will always be interesting and always be exciting.

To our witnesses, I just want to be clear that although there's not been an increase in the A-base funding, the A-base funding has been stabilized on the \$20 million that was scheduled to go out of the A-base funding.

Mr. Cal Hegge: That's correct.

Mr. Gerald Keddy: I realize there's a daunting task before you folks, certainly, and before all of us to try to bring all of our core fishing harbours up to snuff. I wrote down your \$475 million figure that needs to be spent over the next five years.

I guess my question is—because I've never really seen it laid out, and we try not to be too jurisdictional here—if you look at the east coast in particular, the requirements for the wharfs and the infrastructure, and I guess the state the infrastructure is in, for instance, in Prince Edward Island versus Nova Scotia or Newfoundland, do we have it broken down into provincial and regional jurisdictions—Newfoundland, Nova Scotia, P.E.I., New Brunswick, and British Columbia?

Mr. Cal Hegge: Are you asking if we have our expenditures...?

Mr. Gerald Keddy: Yes.

Mr. Cal Hegge: Yes, we do.

Mr. Gerald Keddy: Do we have those numbers, and can we get them?

Mr. Cal Hegge: Yes, we can give you the numbers.

Mr. Gerald Keddy: With projections on what would be required within this \$475 million number? That's what I'm....

Mr. Cal Hegge: Oh, I see. No, we don't have that. I thought you were talking about our existing distribution, but no, we don't have that readily available.

Mr. Gerald Keddy: I guess the other thing that certainly would be important is the difference between the various areas that still maintain a significant fishery and areas where the fishery is not as important—now aquaculture may be replacing some of that in certain areas—but on a cost-benefit analysis of exactly where the wharfs are needed the most and where the fishery is most significant. That's not to take away from areas that have important fisheries, but where is the money best spent? Have we ever looked at this on that basis?

Mr. Cal Hegge: As you know, we don't allocate our funding on an ad hoc basis. We have a certain formula, which has been discussed at this committee before. We like to think we are spending our money against those projects that meet the criteria and represent the highest priority, recognizing that we can't do justice to all the requirements within the program.

As I said to this committee previously, we are going to be looking at our formula. We had been hoping to get additional funding before we do that. If we're not able to increase the pie and we change the approach to allocating the available funding, we're going to have winners and losers if we decide to change the distribution of the funds.

Mr. Gerald Keddy: I'm being very careful with what I say here. If you have certain areas, southwestern Nova Scotia, for instance, where you have a \$500-million or \$600-million industry, what portion of the allocation goes to that area? If there's a \$4 billion or greater industry across Canada, if you break that up, are we actually putting money where we're getting the most return on those dollars? That's simply based on a business proposition; that's not to take away from one part of the country to benefit another. But it's a question that needs to be asked.

The other question I have—

The Chair: Hurry it up, because you promised Mr. Calkins five minutes.

Mr. Gerald Keddy: Quickly then, with climate change, the northern jurisdictions of Nunavik and Nunavut have more ice-free periods. There are wharfs that need to be built. What other sources of funding, outside of the small craft harbours directorate, can we find? Is that a question of Arctic sovereignty? Is there somewhere we can tie that in to free up more dollars for small craft harbours?

•(1615)

Mr. Cal Hegge: I'll give you a quick answer. As you know from the economic update, there's a lot more emphasis going to be placed on the north. We're watching that very closely. If there's any opportunity for us to get on that bandwagon with respect to small craft harbours, we're going to do that.

Mr. Gerald Keddy: You'll crowd on there.

The Chair: Thank you, Mr. Keddy.

Mr. Calkins.

Mr. Blaine Calkins (Wetaskiwin, CPC): Thank you, Mr. Chairman.

I certainly appreciate the witnesses being here again. I appreciate the update, as well, on some of the things that have changed.

Mr. Byrne talked about some of these quite large deficits of the needed funding. As far as I can tell, it has been a long process of infrastructure deficits in successive budgets.

One of the things I'd like to talk about is when the small craft harbours directorate started accruing some of these deficits. Has it been this way since the first harbour or wharf was built? When did we get so far behind on this issue?

Mr. Cal Hegge: I can say that it has been that way for a long time.

I'll turn to Robert, who has been with the program a little longer, to see if he would like to comment on that.

Mr. Robert Bergeron (Director General, Small Craft Harbours, Department of Fisheries and Oceans): The situation has been cyclical. We've had periods when we had high budgets, which were definitely sufficient to maintain our facilities, but then we had the lows.

The last time we had a peak budget was in the early nineties, when in one year we had up to \$118 million to maintain facilities. We used this money to do a bit of investment in new harbours as well. We increased capacity here and there, but most of it was used for maintenance.

Since the early nineties the situation has gone down. The low was reached during about the mid-nineties. Since then the situation has improved. We're still not at exactly what we need to maintain facilities, but the situation has definitely improved over the last ten years.

Mr. Blaine Calkins: I have a quick question. If I remember correctly, there are five regions and five regional directors for small craft harbours. Is that correct? I believe they report to you. From a structural perspective, is that how it works?

Mr. Cal Hegge: We have five regional directors. We have combined the gulf and the maritimes regions for small craft harbour purposes. They report to the regional director general or the associate regional director general.

Mr. Blaine Calkins: Which region is Nunavut in?

Mr. Cal Hegge: Central and Arctic.

Mr. Blaine Calkins: Out of all the money that's spent here on small craft harbours, about how much of it is spent in the central region? Because that's obviously the main bulk of the freshwater commercial fisheries that we have across Canada. I'm wondering what's going to be taken away. Is it going to be money taken out of other regions to pursue these, or is it money that's going to be reallocated within the central region? From a budgeting perspective, I'd be curious to know how that works.

Mr. Cal Hegge: To be clear, our position on the Nunavut harbours is that while we support the requirement, we simply do not have the resources. So we're not looking at taking money out of anywhere to advance that. We actually need new funding to be able to construct those harbours.

Mr. Blaine Calkins: That's good to know.

As a farm boy from Alberta, and of course representing a lot of farmers, I was interested to talk about volunteer fatigue, because most farmers in non-profit years would certainly say they're volunteering and they're quite fatigued, so I was wondering if it's any different. It simply seems to be the way it is, whether you're in the fishing industry or the agricultural industry: when you're not making any money you're volunteering your time.

I was curious as to whether you have any numbers for us on what the value of that volunteer effort is in the small craft harbours. I notice in the arrangements that you have here, there are some local fishermen, I guess, who donate money or put time and effort and materials and supplies into their own harbours. Is there anybody in the department who keeps track of what the value of that is?

Mr. Cal Hegge: First of all, I have not had a good opportunity to meet with many of the harbour authorities. I've been to some of their conferences, etc., and they are a very dedicated group, and when I've been out to visit some of the small craft harbours they show off their harbours with great pride. I think the fatigue is more related to some of the frustrations we all have with respect to the resource shortfalls. I want to make that point clear.

We have estimated some of the value of their contribution. We feel, for example, that the existence of the harbour authorities and the volunteers—the 5,000 I mentioned—probably contribute about 70 full-time equivalents. If we didn't have them and were going to deliver and administer the program like they do, we'd have to add about 70 people. It's about a \$25 million contribution that they're making toward the....

•(1620)

Mr. Blaine Calkins: That's quite substantial.

Mr. Cal Hegge: Yes, it is.

The Chair: Thank you, Mr. Calkins.

Mr. MacAulay.

Hon. Lawrence MacAulay (Cardigan, Lib.): Thank you very much.

Welcome.

Referring to Gerald Keddy's questions on the spending formula, has there been discussion in the department on changing that formula or doing anything with that formula? He did ask, if the \$475 million happened to appear, how it would be divvied out. I would have expected the answer to be that the formula would be used, but that's not what you answered.

Mr. Cal Hegge: No. Other than agreeing that we should look at the formula, we haven't done any detailed analysis of the existing formula.

Hon. Lawrence MacAulay: So there's been no discussion in the department as to recommendations for what should take place with the spending formula.

Mr. Cal Hegge: We get lots of input from our regions, who argue that we need to change the formula so their region gets more, but beyond that, we haven't had any substantive—

Hon. Lawrence MacAulay: That's the point I'm interested in.

We had the harbour authorities here. First of all, I'd like to ask what the largest expenditure was for small craft harbours in a year, in the last two or three years.

Mr. Cal Hegge: In the last two or three years, it's probably a little over \$100 million, not much more.

Hon. Lawrence MacAulay: Just over \$100 million, and next year it will be \$94 million, \$93-point-some million.

Mr. Cal Hegge: As things now stand, yes.

Hon. Lawrence MacAulay: As things now stand. It's an important point, because in fact we're going the other way instead of going ahead, if we're not careful.

You tell us you have a good relationship with the harbour authorities, but we also had the harbour authorities here, and they tell us that they certainly use the word "fatigue" pretty often, because it's very difficult for them to be able to continue having, in fact, not more funding but less funding.

For example, take your divestiture fund. In fact what you requested for divestiture in two years went up \$20 million, instead of staying where it was. So the \$475 million, I would expect, in a year or two would be probably about \$600 million. Am I right or wrong?

Mr. Cal Hegge: No, I don't think you'd be right. Do you mean, if we don't divest the harbours we're going to have to continue to spend?

Hon. Lawrence MacAulay: No, I'm talking about the total small craft harbour repair compared with divestiture. It's obvious that the figure went up substantially in two years.

Mr. Cal Hegge: Again, we've presented this before the committee previously, but the figure is \$82 million over five years. We feel that with \$82 over five years we could divest the remaining 340 or so harbours. So we're not spending a lot of money on those harbours that we're going to divest, other than for any urgent health and safety issues.

Hon. Lawrence MacAulay: Have you presented or has the minister presented any of these requirements for small craft harbour repairs to Treasury Board? Have there been any submissions?

Mr. Cal Hegge: No, not formal submissions.

Hon. Lawrence MacAulay: It's not a priority issue with government...? I think they had six priority areas. This is not one of the priority areas?

Mr. Cal Hegge: Not directly, no.

Let me back up just a bit, because when I said no, we did have to make a submission—as you are probably aware—to retain the \$20 million that was to have sunsetted. In that submission, we alluded to some of the other pressures of the program. So in that regard, the central agencies have been sensitized to the funding requirements of this program.

Hon. Lawrence MacAulay: Over the last number of years, there must have been some environmental cleanups that had to come into the total figure too. So how much would those have been?

Mr. Cal Hegge: I don't know.

Do you know if that comes out of the small craft harbours budget, or out of the federal contaminated sites action plan?

Mr. Robert Bergeron: Seventy percent is coming out of the contaminated sites, and 30% is from the small craft harbours budget.

Hon. Lawrence MacAulay: So 30% of the cost comes out of small craft harbour repairs.

I just hope there is pressure put on this issue. It's obviously a major requirement, because the figures are going to continue. Having been involved in the fishery and living in Prince Edward Island, I know that a \$500,000 project becomes a \$2 million or \$3 million project pretty quickly. So if we don't get the extra funding.... This is a major priority for a major industry where we come from. I hope every effort is made by the department not to do much with the spending formula until we have input, and to make sure that the proper funding, or much more funding, is put in place, so we can do some of the maintenance required, because we will not have our harbour authorities if we don't.

•(1625)

The Chair: Thank you, Mr. MacAulay. Stay tuned for an answer, because we're moving on to Mr. Lévesque.

[Translation]

Mr. Yvon Lévesque (Abitibi—Baie-James—Nunavik—Eeyou, BQ): Good morning, gentlemen.

As you know, I am new. I have to become familiar with a considerable amount of information. In your projections, I would like to know if the amounts you have identified recognize that the harbours are going to deteriorate even faster if they are not dealt with immediately.

You also indicated that you took aboriginal harbours out of your estimates. Nunavut also was mentioned. I have an interest in the situation in Nunavik. Do you keep Nunavik harbours in the Quebec list or are they separate? I have observed that with global warming and the increase in navigation, coastal residents are becoming very worried. If there were an accident at sea, for example, they would have a difficult time rescuing the victims.

I heard at one point that in the Atlantic provinces, ACOA contributes to harbour improvement. In Quebec, we do not have that assistance available. Is there another program that could provide the small harbours in Quebec with the same support that the Atlantic provinces get?

Mr. Cal Hegge: To answer your first question about the rate of deterioration that we are going to face if we do not invest a lot more money, the percentage that is often used—and I look to my colleagues for confirmation—is 2% for every year of delay.

Several members of the committee have raised the matter of climate change. I do not think that we have really studied the consequences that small craft harbours may have to face. Am I right?

Mrs. Micheline Leduc: We are actually starting to include this in our analyses, because it is real. There have been more storms in recent years. This is a direct result of climate change. In eastern Canada specifically, engineers are looking at the effects of climate change on our infrastructure. It is possible that we may eventually have to build higher structures because of changing tide levels. We are looking at that right now.

Mr. Cal Hegge: To answer your third question, there is an agency in Quebec that is responsible for economic development. It is called Canada Economic Development. We work with their representatives. We started discussions on divestiture with them two or three weeks ago.

• (1630)

Mr. Robert Bergeron: I just want to make one clarification. ACOA does not contribute to the repair or maintenance of small craft harbours. They may provide funding on occasion, but it is for new structures that support regional economic development. When ACOA has been asked to repair existing facilities, the reply has generally been no. I think that Canada Economic Development takes the same position. They are open to supporting projects that encourage economic development, but I do not think that they want to take the place of Fisheries and Oceans Canada, or the Small Craft Harbour Program by funding the maintenance or repair of our existing facilities.

[English]

The Chair: Thank you, Mr. Lévesque.

Ms. Bell.

Ms. Catherine Bell: Thank you. It's been a very interesting conversation.

In British Columbia we're going through treaty negotiations with a lot of aboriginal people who live on the west coast. Fishing is their lifeblood; it's part of their culture. I know that part of the treaty settlements in some cases will involve fish.

I wonder if any divestitures of the small craft harbours will be part of that, and if any of the money in here to repair the wharfs and facilities will be used as part of the treaty settlements.

Mr. Cal Hegge: As far as the treaty settlements go in relation to increased use of the harbours by first nations people, we know that's already starting to create some pressure on the capacity of the harbours. Eventually this will have to lead to some increased capacity, which will of course require some funds. But it really doesn't relate at all to the divestiture program, because we're divesting of recreational harbours or non-core fishing harbours.

Ms. Catherine Bell: I guess I'm confused because it does talk about "The existence of a critical national network of harbours, in good working condition, capable of meeting the principal needs of the commercial fishing industry".

Mr. Cal Hegge: On the usage of our core fishing harbours, the commercial fishing industry, the aquaculture industry, and first nations are the three pressure points we often refer to in terms of requiring increased capacity. So the interests of first nations are certainly part of that consideration.

Ms. Catherine Bell: If it's so expensive and such a big job over a long period of time to upgrade the wharfs and facilities to be able to hand them off, what will the capacity of the harbour authorities be in the future, under a municipal or an independent organization, to maintain those facilities in a safe manner so they can be used for fishing and recreation?

Mr. Cal Hegge: Well, again, with time and with additional funding and working with the harbour authorities, we're trying to promote some consolidation within the harbour authority operations too, whereby they would form a group that would look after more than one or two small craft harbours. That's already starting to take place in various parts of the country. So we would be looking for efficient ways to manage the harbours through the harbour authorities.

But as I said earlier, they need some capacity-building and additional training and further work before we're going to get to that point. And the main point, of course, is to get the core fishing harbours up to a safe, reliable condition, because we can't encourage them to do much more with what they have to work with at the moment.

Ms. Catherine Bell: So what will be the commitment of the federal government or of this department, or is there any commitment to the ongoing...?

Mr. Cal Hegge: The ongoing commitment we have is to continue to work in a good partnership arrangement with them. As I said earlier, both parties are aware that this partnership could be strengthened considerably by additional resources because they can only do so much, and we only have so much money to dedicate to the program. With some influx of funding, everybody is going to gain and the partnership will strengthen and they will become even more effective in managing the harbours. But right now we can't simply say, "We can't do this job; you take it over" because that would obviously not be fair, and we wouldn't do that.

•(1635)

Ms. Catherine Bell: How much time do I have?

The Chair: Seven seconds.

Ms. Catherine Bell: You mentioned EDC and that they aren't willing to commit funding.

Mr. Cal Hegge: They're showing a recent interest in working with us on divestiture of harbours. There are a number of harbours, as Monsieur Blais knows in particular, that are on the list for divestiture in Quebec. So they're willing to work with us in some partnership arrangement yet to be really defined. And we just started early discussions in that regard.

Ms. Catherine Bell: Okay. I'm done.

The Chair: Thank you, Ms. Bell.

Mr. Kamp.

Mr. Randy Kamp (Pitt Meadows—Maple Ridge—Mission, CPC): Thank you, Mr. Chair.

Thank you for coming. I appreciate your frankness and your good answers.

Let me just ask, if I have time, three somewhat unrelated, miscellaneous questions. I want to understand the structure, first of all. Is what we're talking about an entity called the small craft harbours program? Does it have a program designation?

And Mr. Bergeron, you're the director general of that. Does that make you the highest-ranking small craft harbours program person in the country?

Mr. Cal Hegge: I could answer that the small craft harbours program is a separate, distinct program within the department. As the committee may be aware, in the program activity architecture it finds itself lodged within the safe and accessible waterways, along with the Canadian Coast Guard and the Canadian Hydrographic Service. That's how we feature it in our program activity architecture.

The program itself, for a number of reasons, I guess, resides within human resources corporate services. It's not maybe the most logical link, but we think it works reasonably well in there because it is an infrastructure-based program.

I am the ADM responsible for the small craft harbours program, but as you know, I have a lot of other responsibilities. Robert Bergeron, as the current director general, is the most senior departmental official involved in the program.

Mr. Randy Kamp: And what about in the regions? Who is the highest ranking?

Mr. Cal Hegge: The regions have what we call RDs of small craft harbours. We're in the process of standardizing those positions at the EX-1, or director level, if you will. As I mentioned earlier, they report in all cases to either the regional director general or, in a couple of cases, to the associate regional director general. But they are very high levels within the government.

Mr. Randy Kamp: Is it a dedicated task for all the people who work on small craft harbours, or do they work in other areas as well?

Mr. Cal Hegge: No, they're fully dedicated to the small craft harbours program.

Mr. Randy Kamp: And what would you say is the level of morale among those people, as opposed to the harbour authorities?

Mr. Cal Hegge: Well, Robert may want to add to this, but I had the opportunity to attend an all-staff meeting of the small craft harbours directorate a year or so ago, and I would categorize the morale as considerably high. There are a lot of so-called lifers in that program who have been with it for years. They all understand the challenges of the program, but they are a very dedicated group. I am continuously impressed with their level of dedication.

Do you want to add something?

Mr. Robert Bergeron: I would concur with this, but we do have very dedicated people at small craft harbours. Some have been there for their entire career. I would say that if they are there, it's not because they cannot go elsewhere; it's because they love this program. They are really volunteering for small craft harbours, if you like. On the other hand, it's true to say that the people have been overworked in the last several years. For instance, we got this additional \$100 million over five years to deliver on, and we did not increase the human resources in the program to be able to manage this. We managed it with the existing staff we had. We're getting close to a time when we're going to lose a lot of people.

Also, one thing that is worth noticing is that we do have a large number of lifers, but all these people are about to retire. So fairly soon, within the next three to five years, we're going to lose a lot of good people in this program. We're quite cognizant of that. It's very important that we start investing in new HR resources for the program.

•(1640)

Mr. Randy Kamp: Has there ever been any discussion of it becoming a special operating agency?

Mr. Cal Hegge: Yes. When we were having discussions around the coast guard becoming a special operating agency, we looked at a couple of other programs within the department. There was some analysis done. It was decided at that time not to proceed with the small craft harbours as a special operating agency, but that's a notion we could revisit at some time in the future.

Mr. Randy Kamp: Do you personally see some value in that, and what might that be?

Mr. Cal Hegge: I think, as the coast guard has found, there is some value, if only to raise the profile of the program. Having said that, I think it has a pretty high profile within the existing organizational structure, but that would be one advantage I could see in it becoming a special operating agency.

Mr. Randy Kamp: Is that the only advantage you see—profile-raising?

Mr. Cal Hegge: They probably would have the sense of family. And maybe, as you alluded to earlier when you asked the question about whether they are a separate program, I think being a special operating agency, as I've seen it evolve within the coast guard, seems to have contributed to the morale. As to whether it would lead to additional funding, probably not necessarily so, but it would certainly distinguish it even more than it is now. That's why I made reference to the program activity architecture, because it is highlighted there as a separate program.

The Chair: Thank you, Mr. Kamp, and thank you to our witnesses.

That completes our second round. We're nine minutes overdue, but since this is the first meeting, I was a bit lenient with the time. We'll be improving on that from here on out, I'm sure.

I'd like to thank the witnesses.

We'll have a couple of minutes of break so we can get ready for our next session.

Thank you again.

[Proceedings continue in camera]

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