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Chair

Mr. James Rajotte

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• (0935)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order. This is the 60th meeting of the Standing Committee on Finance. We are being televised.

Our orders of the day are pursuant to the order of reference of Monday, May 14, 2012. We are studying Bill C-38, An Act to implement certain provisions of the budget tabled in Parliament on March 29, 2012 and other measures.

Colleagues, as you recall, last night we were still discussing part 4 of Bill C-38. This morning we are starting with division 3. Division 3 deals with PPP Canada Inc.

We have two officials with us here this morning for this division. We want to welcome them to the committee.

If either or both of you have an opening statement or an overview of this division, please go ahead, and then we'll have questions from members.

Ms. Martine Lajoie (Chief, Sectoral Policy Analysis, Transport and Corporate Analysis, Economic Development and Corporate Finance Branch, Department of Finance): Perfect. Thank you.

Good morning.

PPP Canada is a crown corporation mandated to lead the government sector to improve the delivery of public infrastructure by achieving better value, timeliness, and accountability to taxpayers through the effective use of public-private partnerships in Canada.

PPP Canada is incorporated under the Canada Business Corporations Act by order, by Canada Development Investment Corporation. By order it was made a parent corporation under the Financial Administration Act. At its incorporation it was decided to make PPP Canada Inc. a non-agent crown corporation.

Division 3 of the BIA confirms that PPP Canada does not act as an agent of Her Majesty, except for certain activities. It is proposed that PPP Canada be recognized as an agent of the crown for activities related to the P3 screen on federal capital projects and for the provision of advisory services to federal departments and crown corporations on federal P3s, acting as a source of expertise and advice on P3s for departments and crown corporations.

The Chair: Okay. That's your opening statement.

We'll now hear questions from members. Are there any questions?

Mr. Marston, go ahead, please.

Mr. Wayne Marston (Hamilton East—Stoney Creek, NDP): One of the things we've been hearing at this committee for a quite a long time is the fact that there are a lot of business dollars—about \$500 billion was the figure that's been quoted to us—that are parked right now, that people are afraid to use. I presume it's because they're fearing another credit crunch from the banks.

This budget has been described by some as an austere budget. We have said that, perhaps, if the government had taken advantage of the low interest rates, with the bonds where they are now, and taken 10-year bonds, it could have started a program to revitalize the infrastructure in Canada. The Federation of Canadian Municipalities has said there's about \$120 billion worth of infrastructure that needs to be done.

Would you see this organization taking part in something like that, should it happen?

Ms. Martine Lajoie: The role of PPP Canada is specifically targeted to supporting and encouraging the use of public-private partnerships when it's deemed that it would be a better value for taxpayers. To that extent, yes, it is destined to support public infrastructure projects that are identified by provinces, territories, and first nations that should be pursued under a P3 procurement approach.

Mr. Wayne Marston: That's all I have.

Thank you.

The Chair: Thank you, Mr. Marston.

I have Mr. Jean, please.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair.

I'm interested in a general recap of what's taken place up to now. I know this is included in the budget. But we had, of course, as Mr. Marston said.... In 2005, the Federation of Canadian Municipalities came out and said there was a \$123 billion infrastructure deficit in the country left by some years of neglect by both federal and provincial governments in the past.

Of course, we came out with Canada's economic action plan in 2006 through 2009, a series of investments of \$47 billion—\$33 billion in infrastructure, along with many stimulus projects. Of course, that type of investment was geared so that it would be a tripartisan investment, looking for provincial and territorial governments, along with other parties, to invest. Municipalities put in a third, the federal government put in a third, and the provincial governments put in a third, in essence to cap up, to get us past the \$123 billion and to try to recoup some of that.

I know the P3 projects had a late start in getting out, but we have had tremendous response from the FCM over our projects and over our investments. Have you seen the depletion of some of that desperate need that we had in 2006 when we took over as a government? Has that changed dramatically? Would you know of the inventory, of whether these projects have come forward?

I, myself, in northern Alberta... We had a huge infrastructure deficit. We still have one in relation to our Highway 63 and other areas, because of the fast growth. But we have seen a tremendous investment by the federal government, almost somewhere around \$800 million, in that area, over the last six years—provincial governments as well. We got our second, third, and fourth overpass in a number of years, which is great. And we've seen a bottleneck of infrastructure eliminated. Have you seen that across Canada as well?

Ms. Martine Lajoie: You were right to correct. You mentioned that since 2006 there has been major investment by the federal government. There's the Building Canada plan, which has provided \$33 billion, of which PPP Canada and the P3 fund is a part. The economic action plan added to that a good \$11 billion. I don't have with me the analysis on the current stock of projects that need to be furthered. As you know, the government has launched consultations with the provinces, stakeholders, and the Federation of Canadian Municipalities on the development of a new long-term plan that would extend beyond the expiry of the Building Canada plan. It's in that context that the government will work with its partners on identifying the needs for the future.

• (0940)

Mr. Brian Jean: We've seen some P3 projects, particularly in western Canada because of the tremendous growth there. The Kicking Horse Pass, which came in under budget, was a P3 project, a public-private partnership. It came in under budget, as I say, and actually was expedited by I think eight months or so—the ring road around Edmonton and some others have taken place.

Is that what you've seen consistently with P3 projects over the past six years, that they are, for the most part, coming in under budget or faster than with other projects historically?

Mr. Maxime Beaupré (Senior Economist, Sectoral Policy Analysis, Transport and Corporate Analysis, Economic Development and Corporate Finance Branch, Department of Finance): It's true that P3 projects in general achieve better value, both by delivering on time and on budget. In terms of completing projects, the federal experience so far has been relatively limited. Under the PPP Canada fund, only one project has been successfully completed. Others are under way. The project in question is in Winnipeg. You mentioned the ring road. It's the Chief Peguis Trail in Winnipeg. It did come under budget, and I think it's almost a year in

advance. But it's true that the provinces have also had a great experience with their P3 programs.

The Chair: You have thirty seconds.

Mr. Brian Jean: Of course, it was slow at the start because the P3 office was established in 2006. I think \$2.1 billion was allocated originally. Getting things started does take some time, especially when it's a new concept and the due diligence, accountability, and transparency foundations have to be set up. Is that correct?

Ms. Martine Lajoie: The corporation was established in 2008 and became active in 2009. There have been three rounds of applications. The fourth one was launched in mid-April. The corporation has witnessed a major increase in the number of applications submitted through each round. To date, seven projects have been announced, and, yes, there is a great deal of interest.

Mr. Brian Jean: Great job. Thank you very much for your work.

The Chair: Thank you, Mr. Jean.

I have Mr. Brison.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you, Mr. Chairman.

Thank you very much.

Division 3 acts to limit the activities for which PPP Canada is an agent to the crown to the activities of clause 211 of the bill. What are some examples you could provide us with of PPP Canada activities that fall under clause 211?

Ms. Martine Lajoie: I would note the provision of advisory services to federal departments and the assessment of capital projects for suitability to be done under a P3 procurement approach, as well as advisory services in the execution of P3 procurement projects.

Hon. Scott Brison: Does PPP Canada currently have activities that would fall outside this section, for which they would not be an agent of the crown?

Ms. Martine Lajoie: Exactly. It's proposed that PPP Canada be a non-agent for the purpose of the delivery of the PPP Canada fund, which provides the funding contribution to P3 projects led by municipalities, provinces, territories, or first nations.

Hon. Scott Brison: What are some examples of activities that PPP Canada might be doing now that they wouldn't do after?

Ms. Martine Lajoie: That they would not do after?

Hon. Scott Brison: Are there some changes to the mandate of PPP, and what would—

Ms. Martine Lajoie: There's no change to the mandate of PPP Canada being proposed. The change being proposed is to make it a non-agent for specific activities related to what we call the federal business line—the provision of advice to federal departments on the P3 screen, for example, and the provision of advice, as well, on the procurement of capital projects under a P3 approach.

Hon. Scott Brison: But if these proposed changes in Bill C-38 weren't enacted, what's the concern that PPP Canada could be considered an agent of the crown for any of these activities...?

What do these changes accomplish from PPP Canada's perspective?

Ms. Martine Lajoie: It will enable PPP Canada to engage in a more direct relationship with the departments in the provision of advice—similar to what we see for the Canada Development Investment Corporation, which is an agent of the crown for the purpose of providing advisory services to federal departments.

• (0945)

Hon. Scott Brison: How many projects have been funded by PPP Canada so far?

Ms. Martine Lajoie: Seven projects have been funded, totalling \$110 million in federal contributions.

Hon. Scott Brison: What's the status of the Muskrat Falls power transmission project—the Nova Scotia and Newfoundland and Labrador project—in terms of PPP Canada's role?

Mr. Maxime Beaupré: The two provinces, I believe, submitted an application to the PPP Canada fund under round two, which closed in 2010, but the crown corporation determined that the ask was too large for the size of the PPP fund. I believe since then the provinces reoriented their ask to the federal government, so it's no longer being considered for funding by PPP Canada.

Hon. Scott Brison: It is no longer being considered by PPP Canada. Okay.

As well, could you explain the status of the PPP screen, how that works?

Mr. Maxime Beaupré: Budget 2011 announced that federal departments would be required to assess the suitability to PPP procurement for their capital projects with \$100 million in spending—that's the threshold to apply the screen—for assets that would have a lifespan of 20 years. For such projects, departments have to basically ask themselves the question of whether this project could be delivered successfully as a PPP. And for as long as this option remains viable, the option is on the table.

At the end of the day, the responsible minister or the Treasury Board, depending on the level of delegation of authority for procurement, will make a decision based on the best value.

Hon. Scott Brison: Does PPP Canada, on a consultancy basis or some other advisory-type basis, provide advice to the provincial governments or municipal governments? Is that part of the role from time to time?

The Chair: A brief answer, please.

Mr. Maxime Beaupré: Most of the interactions of PPP Canada with provinces involve the delivery of the PPP fund. In that respect, PPP Canada helps municipalities, provinces, and territories in developing projects that can be submitted for funding under the PPP fund.

The Chair: Thank you.

M. Caron, s'il vous plaît.

[Translation]

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): You say that PPP Canada has approved seven projects so far. How many projects have been submitted in all? Do you know

whether any projects have been turned down or have failed to meet the PPP Canada guidelines?

Mr. Maxime Beaupré: As my colleague said, in each round, we saw increased interest by stakeholders—be they provinces, territories or municipalities. In the first round, I think 20 proposals were submitted. In the second round, the number of proposals was already up to 70. In the third round, there were 110 or 120 proposals. The fourth round is ongoing. We do not know how many requests have been submitted so far because the round will end in June.

Mr. Guy Caron: What is the most common reason for a refusal? Did any factors frequently play a part in determining that a PPP will not be accepted?

Mr. Maxime Beaupré: I want to begin by clarifying that most decisions to refuse requests are made by the corporation or its board of directors. Their mandate is to administer the fund. In most cases, refusals are simply due to the fact that people do not meet the minimum eligibility criteria. They sometimes have little knowledge when it comes to PPPs. They submit a project that does not necessarily fall in line with PPP requirements. It is also part of the corporation's mandate to educate various stakeholders on how PPPs work. Either a project is simply not a PPP, or it is not in a category of projects that are eligible for funding. The refusal may also be due to the fact that the project is far too large to be covered by the fund.

Mr. Guy Caron: Would the Auditor General potentially have the authority to audit PPP Canada?

• (0950)

Mr. Maxime Beaupré: That would be entirely possible.

The Auditor General co-audits the corporation's financial statements. The Auditor General has the discretion to audit the corporation's management, administration and various services.

Mr. Guy Caron: I have another question.

The proposed amendments state that the Crown's responsibility is limited to the activities laid out in clause 211. Does PPP Canada carry out any activities that are not specified in clause 211?

Ms. Martine Lajoie: Actually, another part of its mandate is to deliver PPP funding. That means the corporation is supposed to assess the proposals submitted by stakeholders and recommend investments to federal contributions. When it comes to those activities, PPP Canada is not considered an agent of Her Majesty.

Mr. Guy Caron: That's the case for any activities not listed in clause 211.

Ms. Martine Lajoie: Exactly.

Mr. Guy Caron: So Her Majesty is not responsible for those activities, but only for those listed in clause 211.

Ms. Martine Lajoie: Exactly.

Mr. Guy Caron: Very well, thank you.

The Chair: Mr. Mai, go ahead.

Mr. Hoang Mai (Brossard—La Prairie, NDP): Thank you, Mr. Chair.

If my understanding is correct, PPP Canada's objective is to examine or promote certain PPP projects. Have you looked into the project regarding the Champlain Bridge, which is in my Brossard—La Prairie riding?

Ms. Martine Lajoie: Minister Lebel is in charge of the Champlain Bridge file. PPP Canada will provide advice to Transport Canada on that project to the extent to which the corporation is authorized to advise federal departments.

Mr. Hoang Mai: However, Minister Lebel has already decided that the project will be a PPP. Have you been consulted about that? Have you provided any recommendations? The studies commissioned by the government and the Department of Transport indicate that the cost of PPPs is higher than it would be if the project was paid for using public funds. Total costs to taxpayers are higher if a PPP is used. I was wondering whether you have looked into that.

Ms. Martine Lajoie: I want to begin by clarifying that, for the Department of Finance, the type of procurement that will be used for the Champlain Bridge has not been clearly decided yet. In the context of project development, we will consider the most appropriate types of project management or procurement. In that context, PPP Canada may be asked to provide advice.

Mr. Hoang Mai: This is news to me. You are saying that the Champlain Bridge project will not necessarily be a PPP.

Ms. Martine Lajoie: An assessment will certainly be carried out to determine whether a PPP will provide the best results in terms of value for the money.

Mr. Hoang Mai: If my understanding is correct, even though the minister has announced that the project will be a PPP, you have not been consulted and have not looked into the benefits or disadvantages of a PPP.

Ms. Martine Lajoie: The government has clearly indicated that it wanted to encourage the use of PPP Canada if it was determined that was the most feasible and effective way to proceed. In that context, the issue is on the table, and the Department of Finance is not responsible for it. The Minister of Transport, Infrastructure and Communities is developing the project in collaboration with PPP Canada, if necessary.

Mr. Hoang Mai: Are there, or will there be, any contacts with PPP Canada?

Ms. Martine Lajoie: I cannot speak on Transport Canada's behalf. It appears that discussions are being held between the crown corporation and the Department of Transport, but I cannot speak to the content of those discussions.

Mr. Hoang Mai: Okay.

The minister has also said that there would be no bridge without a toll. Have you looked into that? Will the toll necessarily be related to the PPP? You may tell me that this has to do with the Department of Transport, but do you see a connection between having a toll and having a PPP at all costs? Are the two related?

Ms. Martine Lajoie: The government has clearly indicated its intention to impose a toll on the Champlain Bridge. We are looking into this issue. As you know, the Champlain Bridge is a huge project. Not all decisions have been made yet, but those are issues we are studying.

Mr. Hoang Mai: Were you given the mandate to examine the toll issue and its implementation, to look into how it will be applied and to determine what that money will be used for?

Ms. Martine Lajoie: No, that has not been done by the Department of Finance because the Minister of Transport is in charge of developing the proposal and the project.

Mr. Hoang Mai: Will issues like the study on the toll's impact on funding eventually be submitted to PPP Canada?

● (0955)

Ms. Martine Lajoie: The PPP Canada representatives would be in a better position to answer this specific question. While deciding whether a project should be carried out as a PPP, the organization takes into account the fact that the project may generate revenue.

Mr. Hoang Mai: Although Transport Canada has not given you a clear mandate, I would like to know whether you have consulted pre-feasibility studies on the Champlain Bridge. Those studies assess the implications of funding or carrying out this project as a PPP or doing so using public funds. Have you consulted the Delcan report, among others?

Ms. Martine Lajoie: Yes. We are aware of the report.

Mr. Hoang Mai: Have you analyzed it?

Mr. Maxime Beaupré: Yes, we have definitely looked at this report. It recommended that the Champlain Bridge be replaced and considered various options. That was an actual pre-feasibility study. The report shows that building a new bridge is justified. The tunnel option was rejected because it was considered to be too expensive.

Mr. Hoang Mai: Perhaps—

[*English*]

The Chair: Okay—

[*Translation*]

Mr. Hoang Mai: The report produced by Consortium BCDE compares various options. That is actually the report that was published afterwards.

The Chair: Thank you.

Mr. Hoang Mai: Have you read that report?

Mr. Maxime Beaupré: Those reports have helped show that there was potential when it comes to carrying out the project as a PPP. However, a number of studies will have to be conducted to determine whether value for money is a possibility. In other words, it must be determined whether a proposal that benefits taxpayers is possible.

[*English*]

The Chair: *Merci.*

We'll go to Ms. McLeod, please.

Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC): Thank you, Mr. Chair.

I really just want to clarify that of course we do have our financial officials here before us, and I know there are many detailed questions coming to you specifically around very important projects; I think we all have very important projects across the country. Would you perhaps concur that the P3 program might be the better place for these questions to be directed, in terms of specific projects and the direction, as opposed to what the changes are that we're actually proposing in this legislation?

[Translation]

Ms. Martine Lajoie: The Minister of Transport should be consulted or asked questions about that. Actually, the department is really in charge of managing the Champlain Bridge project. It works with PPP Canada, as it should, but that collaboration does not reduce its responsibility in this file.

[English]

Mrs. Cathy McLeod: Thank you.

The Chair: Thank you.

Ms. Nash, please.

Ms. Peggy Nash (Parkdale—High Park, NDP): Thank you for being here this morning.

When you do your analysis of what constitutes an appropriate P3 project, are any potential additional fees to the public taken into account as part of an ongoing cost for a P3—like user fees and that kind of thing?

Mr. Maxime Beaupré: To deliver a project under any kind of delivery method, there needs to be a funding mechanism. It's either governments that provide funding or users. In the case of users, it would be a user fee. So for any kind of project, be it a P3 or not, user fees can be considered as a means to support its delivery.

Ms. Peggy Nash: Let me be a little clearer.

For example, my colleague was talking about the Pont Champlain. I'm from Toronto. We have a toll road in our city that was built as a P3 and has now become privatized. The biggest complaint we hear is about the rising fees on the toll road. So it's a different funding mechanism, as you say. If it had been built with public dollars—or maybe not, as we don't have public toll roads in Toronto—it likely would not have been a toll road.

So here's my question. When you're projecting costs and comparing bids as to whether something is or is not adequate for a P3 project, do you take into account the user fees, as opposed to having something that is built through public dollars and that would not require user fees? Are the user fees factored in as a cost in a P3?

•(1000)

Mr. Maxime Beaupré: There are many elements to your question.

In terms of comparing bids, typically a government would decide in advance whether it wants to have an asset tolled, for example, or to have some sort of levy that would be raised against its expenditures. Different bidders would propose a user fee or not, depending on their bid. Basically this is a government decision. The procuring jurisdiction would have to decide whether they want to have a certain asset being tolled or not.

In terms of whether a user fee is assessed as a cost to the project, it's more of a revenue source than a cost, so I'm not quite sure I understand your question.

Ms. Peggy Nash: If a government made the decision that it wanted to go with a P3 and not have tolls, how would the private sector make their money?

Mr. Maxime Beaupré: As I mentioned, to fund the delivery of projects under any method of procurement, either governments provide funding or users contribute to the funding through user fees. We have seen a lot of P3 projects delivered without the recourse of user fees, at both the provincial and the federal level, and in that instance the government will basically pay for the delivery of the asset.

In a P3 project we see various types of payments. Usually there will be a substantial completion payment that is—

Ms. Peggy Nash: So that I can clarify it in my own mind, you could have a P3 operation for the construction of something like a hospital but still have it operated publicly and have no user fees. You're clarifying the difference.

Mr. Maxime Beaupré: For example, the Government of Ontario is delivering a lot of hospitals with a P3—

Ms. Peggy Nash: Could I just ask you, because I'm running out of time, whether there are any P3 projects under PPP Canada that have been approved for the Toronto area?

Mr. Maxime Beaupré: There are no announced projects yet in the region of Toronto. There was one announced for Barrie last year. Other announcements will be made over the coming months for projects submitted under round three, so I invite you to stay tuned.

Ms. Peggy Nash: Stay tuned. Okay, thank you.

The Chair: Thank you, Ms. Nash.

Mr. Jean, do you want to go a round?

Mr. Brian Jean: Just very quickly, if I may. I've done some travelling over the last few years, and Australia is one of the places I've visited frequently. In seeing the toll roads and some of the infrastructure there, I was very, very impressed.

I know those are private-public partnerships because of the tolling mechanism. Are you aware of any analysis that would have been done on other jurisdictions that have had successful P3s, and have we emulated that at all?

Mr. Maxime Beaupré: PPP Canada is the government's centre of expertise on P3s. In terms of other jurisdictions that have been seen as leading the P3 delivery method, Australia is one and the United Kingdom is another one.

They do look at best practices and lessons learned that have come from the delivery of the P3 programs in those jurisdictions. So, yes, I believe we do take into account those experiences.

Mr. Brian Jean: If I understand it, I think it's the island of Guernsey—I'm not sure, but there's one particular island in the U.K.—that has Colas taking care of all of its road infrastructure over a 30-year or 40-year contract. They have tied it in for road infrastructure and also some public works. My understanding is that the performance currently versus ten years ago, before they took that contract, is dramatically different.

I come from, as I say, northern Alberta, where there are huge complaints about potholes because of frost heaving, etc. I understand, with the performance that is necessary with P3 projects on the accountability aspects of the contracts with the government, that the quality of the projects—I see you're nodding your head that you agree with me—and the delivery mechanisms, as well as the ongoing quality of the infrastructure, remain at a top level. Is that fair to say?

Mr. Maxime Beaupré: Indeed, the primary reason a government would do a P3 is to achieve better value for taxpayers, and by that, the particular jurisdiction would mandate the private sector delivery agent to meet certain performance levels. In the case of a road, that would mean a certain service standard for patching potholes or doing regular maintenance to avoid potholes from materializing. The government basically commits to long-term maintenance of those assets via service payments to the P3 delivery agent in the case that it's not funded by user fees. If it's funded by user fees, again the P3 agent has to reach certain service standards so it can collect the funding.

•(1005)

Mr. Brian Jean: So they take it out of the political realm of not having enough money for A and B but having enough for C and D, and they have a certain expectation. I find in my own province of Alberta that politics is often a generator of large infrastructure decisions and ongoing maintenance to roadways, etc., because of the limited amount of money and resources. So this would take that right out. People would have a better quality of life, long term, through this type of mechanism, especially on the ongoing maintenance.

Mr. Maxime Beaupré: A key aspect of P3 is retaking the whole life-cycle cost of an asset. Let's say it's a road and it would be built to last for 40 years. The government is fully aware of what the costs are over 40 years and contracts out the maintenance of that asset over time.

What we see with traditional procurement is that sometimes the decisions are made more on the basis of short-term costs, actually building the road, and with less awareness of the cost of maintaining this asset over the long term. So sometimes, 10 to 15 years down the road, if finances are a bit tight, governments may decide to limit their expenditures on maintenance, and this can lead to the deterioration of the asset.

Mr. Brian Jean: My understanding is that there are different grades of asphalt. In fact, the best asphalt is concrete. If they use highway concrete or high-grade asphalt, the roads last much longer—fewer pot holes and less wavering damage from large trucks. I see you're nodding your head, but the mike can't pick it up, so I want to make sure I get that on the record.

I think in Australia almost all the motorways are concrete now and the quality of the roadway is far superior to asphalt.

Mr. Maxime Beaupré: Basically, P3 aims at aligning the incentives in the right way in the interest of taxpayers. For example, when you ask a consortium that's going to be responsible for designing, building, and maintaining an asset over the long term, they can make decisions that will minimize their costs over the long haul.

When you ask an entrepreneur to build you a road and you award the contract to the lowest bidder, they will not propose something

with concrete. It's very expensive and the entrepreneur is not responsible for the long-term maintenance of the asset, so they have no interest in proposing to build the road with concrete.

But if the bidding consortium is responsible for the long-term maintenance of the asset, they may see the economies of scale. The life-cycle costs will be lower than paving the road with a lower-grade asphalt and replacing it multiple times over the life of the asset.

Mr. Brian Jean: Thank you. It makes a lot of sense.

The Chair: Thank you.

I thought you were going to ask about Highway 63, Mr. Jean.

We'll go now to Monsieur Mai again.

Mr. Hoang Mai: Thank you, Mr. Chair.

[*Translation*]

We will set aside the issue regarding Champlain Bridge because, if my understanding is correct, you have not studied, or been given the mandate to study, this report.

Ms. Nash raised an issue I find very interesting. In your studies on PPPs, you can consider projects whose funding comes from the public sector. Is that right?

Mr. Maxime Beaupré: As I said, regardless of the infrastructure project, the funding may come from the government through general revenues, from the user of the asset in question, or a combination of those two. There are many PPP projects where governments make payments for the consortium that will deliver the project.

Mr. Hoang Mai: It has often been said that a PPP was beneficial because it reduced costs. When the government takes care of the funding for those projects, what kind of a contribution does the private sector make? Could you talk about specific projects so that we can compare? What would be the benefits of having a PPP when the funding is already public?

Mr. Maxime Beaupré: The main difference between the traditional procurement method and the PPP method is that there is a greater risk transfer toward the private sector in the case of a private-public partnership project. This may mean that, if there are cost overruns compared with the consortium's submission, they will have to be absorbed by the consortium. Similarly, if the project is late and the risks in question have been transferred to the consortium, the latter will have to absorb the costs of schedule overrun.

In general, those risks are assumed by the Crown in the case of a project delivered using traditional methods. Even if the Crown makes payments for the delivery of the project, the private sector still provides its expertise so that the project may be delivered within the budget and the time frame.

•(1010)

Mr. Hoang Mai: If my understanding is correct, for those projects, the government would make funding decisions when it comes to things like user fees.

Mr. Maxime Beaupré: Some projects may be funded entirely by the Crown. As I was saying, most PPP projects in Canada are paid for by the Crown. In the industry lingo, we say that the Crown takes on the financial risk. It guarantees payments to the private sector. It is important to mention that those guaranteed payments are subject to performance criteria. The asset constructed and managed through the public-private partnership must deliver on the performance agreed upon in the contract.

Some projects involve user fees. For instance, in the case of the new Highway 25 bridge in the Montreal region, users will fund the construction and the maintenance of that asset. My understanding is that the same goes for Highway 30.

Mr. Hoang Mai: Thank you.

[English]

The Chair: Thank you. Merci.

At this point I will thank our officials dealing with PPP Canada very much for being here.

We will ask the officials for division 4 on territorial borrowing limits to come forward. I know Mr. Marston has a line of questions on that.

For division 4 we have Mr. Macdonald, and we're on page 192 of the bill.

Welcome to the committee, Mr. Macdonald. If you want to give an overview of this division, then we'll have questions from members.

Mr. Daniel Macdonald (Chief, Federal-Provincial Relations Division, CHT/CST and Northern Policy, Department of Finance): Certainly.

The Nunavut Act, the Northwest Territories Act, and the Yukon Act provide that territorial governments have the authority to borrow money for territorial, municipal, or local purposes subject to approval by the Governor in Council.

These identical amendments to the Northwest Territories Act in clause 214, to the Nunavut Act in clause 215, and to the Yukon Act in clause 216 provide the authority for the Governor in Council, upon the recommendation of the Minister of Finance, to do two things: one, to set the maximum amount up to which each territorial government may borrow; and two, to introduce new regulations specifying the definition of borrowing and other instruments to be included for the purpose of the limit, entities whose borrowing is to be measured, and the value that should be attributed to each type of borrowing for the purpose of the limit.

As I said, the amendments to each of the three acts are identical. As stated in the budget on page 157, the intent of the regulations will be to ensure accurate reporting of obligations within these limits and to ensure consistency with reporting in the territorial public accounts. Establishing these clear rules will assist territories in their fiscal planning.

I will go through clause 214 for the Northwest Territories, just to show what's happening, and I will leave it at that, because they are identical for the other two territories.

Subsection 214(1) repeals the existing subsection 20(2) of the Northwest Territories Act. This is the subsection that currently authorizes borrowing by the territorial government if approved by the Governor in Council. The clause replaces the current language with a new subsection that specifies that the amount of all borrowings must not exceed the maximum amount that will be set out in a new subsection 20(4).

The new subsection 20(4) specifies that the Governor in Council may, on the recommendation of the Minister of Finance, set the maximum amount of the aggregate of all borrowings. This confirms the current practice of establishing maximum amounts by order in council on the recommendation of the Minister of Finance, within which territorial governments may make their own borrowing decisions.

Then the new subsection 20(5) creates a new power for the Governor in Council, on the recommendation of the Minister of Finance, to make regulations respecting borrowings, including regulations on what will constitute borrowings for the purpose of territorial borrowing limits, for what entities or classes of entities the borrowings must be taken into account, and the value that shall be attributed to each borrowing for the purpose of the limit.

The remaining clause, clause 217, is a coming into force provision.

That's an overview of the division. I'd be pleased to take questions.

• (1015)

The Chair: Thank you very much for that overview.

We had Mr. Marston last time, so we'll begin with him.

Mr. Wayne Marston: Thank you, and welcome, Mr. Macdonald. I appreciate you being here.

I'm going to have a couple of comments, and it's not necessarily a question directed to you, so don't feel you have to jump in. I will get more specific at the bottom.

When we look at this action, one has to wonder why the Conservative government is changing the Constitution in these three territories to in fact increase control over the financial affairs of the territories, without public consultation, by putting it through Parliament in Bill C-38. I said yesterday, when I was starting off prematurely, that it strikes me as not being consistent with the government statements that the fourth pillar of their northern policy is improving and devolving northern governance. In fact, the territories, from what I understand, are on record requesting the elimination of borrowing limit provisions. So, again, one might wonder why the Conservative government won't give the territories the same type of respect that they give to the provinces.

To my mind, these changes increase almost a colonial-style governance and control over the territories, and I'm left to wonder why the government won't accord the northerners the same kind of respect they do other provinces in the formation of this and the planning of this.

Was there a financial problem, a financial risk, or something that generated this, that you know of?

Mr. Daniel Macdonald: To respond to the specific question, I would point to the current language, just as an example, of the Yukon Act. So I'll sort of work from the bottom of your question and work back.

The current guidance that is provided for the administration of this federal authority, which has been in these acts and has been administered since, by my record, the 1980s, reads in its entirety, "No money may be borrowed under a law made under paragraph (1) (a) without the approval of the Governor in Council."

The issue that arose that prompted a review of the operation of borrowing limits is twofold. Territorial governments are increasingly taking on larger, more ambitious, important projects, and they're looking to finance them in using instruments that have been developed over time. As both instruments and arrangements for risk sharing have become more sophisticated, there's not a whole lot of guidance in that line that I just read. So we started getting increasing questions, such as, if an arrangement looks like this, if a project looks like that, how would that be treated? As I said, there's not a lot of guidance there. The intent is to have clear rules. The territorial governments understand that clear rules facilitate clear fiscal planning. It's intended to clarify and to support decision-making by territorial governments.

With respect to how this is administered, I would make a general comment that the structure of the borrowing limit is to set a maximum amount within which territorial governments are completely free to take whatever decisions about how they allocate the free room that's left to them.

There's a parallel on the fiscal side with respect to the transfers that are provided by the federal government to the three territorial governments. They're quite significant in importance to the territorial governments. On the Finance website for the 2011-12 year, if you look at our website with respect to transfers to individual territories, it refers to how 67% of financial resources of the Yukon come from the federal government, 76% for the NWT, and 88% for Nunavut. The vast majority of that is territorial formula financing, and it's transferred unconditionally. The purpose of that money is to enable territorial governments to take the decisions they need to take to provide comparable programs and services, but we don't in any way look at—

• (1020)

The Chair: Thirty seconds.

Mr. Daniel Macdonald: —or influence the decisions they take. The borrowing limit is done in a parallel fashion. We've set an amount, and within that they are free to take whatever decision—

Mr. Wayne Marston: If I may, I'll jump in just for a second. We travelled as a committee to Whitehorse last year, and in the north the cost of infrastructure is just huge. We understand the problems they have up there.

On the other side of it, I'm pleased to get your explanation of this because I think the federal government has a role to play, not necessarily in this fashion, but certainly a role to play financially, because those territories cannot manage or handle the costs they face with the roads or the telecommunications or hydro.

I presume I'm out of time.

The Chair: Yes. I don't have any other members, so if you want to have another round...

Sorry, I have quite a few other members. Do you want another round later on, Mr. Marston?

Do you want to respond to that, Mr. Macdonald? Okay.

Mrs. McLeod, please.

Mrs. Cathy McLeod: Thank you, Mr. Chair.

I wonder if you can share with the committee the reaction of the territorial governments to the announcement that was made that this piece was included in the budget.

Mr. Daniel Macdonald: There were two pieces announced in the budget. First, the budget stated that legislation and regulations would be introduced to clarify the rules. We've been consulting with the territorial governments since 2010 on this initiative, so that was not a surprise.

On the announcement of the new borrowing limits, the reaction of two of the territories was set out in press releases they issued on the day of the announcement of the increase, March 15, 2012. Both of them were positive and appreciative of the room it would allow them to make decisions about infrastructure projects.

Mrs. Cathy McLeod: You just indicated that there were consultations. Could you share with the committee what that consultation process looked like and what it included?

Mr. Daniel Macdonald: In light of the growing number of questions about exactly how this would work and what was intended to be included or not, a review of the territorial borrowing limits was initiated in 2010. It was conducted in parallel with the regular workings of officials between the governments. It concluded more or less at the end of last year, but it was an ongoing process and they were aware of what we were doing.

Mrs. Cathy McLeod: So is it fair to say that not only were there extensive consultations, but the territorial governments are pleased with moving forward in this area? Is that a good summary?

Mr. Daniel Macdonald: Certainly the press release from the Northwest Territories references successful discussions between the federal Minister of Finance and the three territorial ministers of finance.

Mrs. Cathy McLeod: Thank you.

The Chair: Thank you, Mrs. McLeod.

Mr. Casey has a five-minute round, please.

Mr. Sean Casey (Charlottetown, Lib.): Thank you, Mr. Chair.

Mr. Macdonald, how will the borrowing limit be determined?

Mr. Daniel Macdonald: The borrowing limit is reviewed upon request by a territorial minister of finance. The reason for that is it's left at an amount to ensure predictability for fiscal planning purposes. So you have an amount, it applies, and you know what it is. These are long-term projects we're talking about, so you need to know what your room will be for a very long term.

When a minister of finance applies to our minister for an increase, the analysis done is in keeping with the general approach to autonomy of the territorial governments to take the decisions they wish. We look at the general economic and fiscal outlook of the territorial government and its economy. We consult with territorial governments on what its forward-looking budget revenue stream is expected to be. We look at things like what interest rates are available or were available for existing debt of the territorial government, to get an idea of their ability to seek funds in the market.

What you're after is a general estimate of what the forward-looking ability of the territorial government, given its economic outlook, will be to carry a given amount of debt. There's a great deal of scenario analysis, as there are a lot of dynamic parameters in that. At the end of the day there is a decision taken about what a sustainable level will be.

• (1025)

Mr. Sean Casey: What about inflation? Will these limits be indexed, or is that something done on a case-by-case basis? Will they be automatically indexed to inflation?

Mr. Daniel Macdonald: Limits are not indexed automatically to inflation. The method, if you will, for now, is that we set the limit to an amount. That provides, as I said, for managing any projects over a very long term. You would know, for all years, what your limit is going to be. If there is a change in the territory's economic circumstances, and there's an application to the Minister of Finance for a review, they would then look at those changes and what the impact on the territorial government's financial capability to carry debt would be.

Mr. Sean Casey: What analysis has been done with respect to the potential impact on aboriginal governments?

Mr. Daniel Macdonald: I'm sorry. Can you be more specific?

Mr. Sean Casey: Has there been any analysis done to determine what impact the borrowing limits will have on aboriginal governments and first nations within the territories? Part of what I'm getting at is that they would have land claims agreements, which would be constitutionally protected. What analysis, if any, has been done with respect to how borrowing limits will impact on those governments and those agreements?

Mr. Daniel Macdonald: This is an authority that is within the federal act, which describes the powers of the territorial governments. We do not conduct an analysis of the capacity or capability of aboriginal governments within the territories.

Mr. Sean Casey: So there is none.

Mr. Daniel Macdonald: That's correct.

Mr. Sean Casey: On the borrowing limits, I'd be interested in your comments on their potential to restrict economic growth and the flexibility of territorial governments with respect to their own government programs.

Mr. Daniel Macdonald: There is a relationship, obviously, between a government's decision to take on debt and its ability to provide programs and services. Both of the territorial news releases actually acknowledged that link. They spoke to the importance of understanding that borrowing takes away from a government's

ability to offer important programs and services and that they need to balance decisions taken today with the future.

That's, in essence, the intent of the analysis undertaken to arrive at a sustainable amount of debt servicing a territorial government can undertake. Given the Government of Canada's significant investment, through other transfers, in ensuring that territorial governments have the capacity to take decisions to provide programs and services comparable to those in the rest of Canada, part of the intent of the borrowing limit is to respect that balance.

• (1030)

The Chair: Thank you.

We'll go to Mr. Jean, please.

Mr. Brian Jean: Thank you, Mr. Chair.

I'm very interested in this. I'm a northerner as well. I've lived in northern Alberta my entire life, or pretty much, anyway.

One of the major complaints I've heard in my communities, which are mostly smaller communities, except for Fort McMurray, is that when they are applying for funds, it is very difficult to understand what people need. They can't hire a full-time person to fill out applications for federal government funding.

I see you nodding your head, so you understand that this is a common complaint.

Clearly, by changing the act to be more specific, I would suggest that there's going to be more certainty, less spinning of wheels, and indeed more effort put into things that will actually see a concrete and positive result. Would that be fair to say about applications in particular?

Mr. Daniel Macdonald: The intention of the new regulation is that it will be perfectly clear to territorial governments, as they are considering various projects, and particularly how to structure them and what instruments they may wish to use to finance them, exactly what their options are.

Mr. Brian Jean: Indeed, I think it sort of moves it from "Dad knows best"—you know, ask dad for everything—to a clear set of guidelines, including money and the perception and expectations of the federal government in these applications. It moves it towards a cooperative government style with an understanding of where they can go and where they will receive success. Is that fair?

Mr. Daniel Macdonald: Yes, clear guidelines are the objective.

Mr. Brian Jean: Okay.

I'm curious. What would be an average amount that one of the territorial governments would have received from Ottawa over the last 10 years? Would you have those kinds of statistics on what they would normally receive on average over a 10-year period, for instance, prior to this legislation?

Mr. Daniel Macdonald: Are you speaking of total transfer funding?

Mr. Brian Jean: Well, I'm thinking more along the lines of these changes—and we're going to see some changes relating to this legislation—and the moneys that are utilized for this. I don't know how it's transferred to the territories; I know there are a lot of mechanisms to transfer based on per capita funding and also other things.

But over the last 10 years prior to this legislation, what would they have received under the same auspices and the same programs as what they're expected to receive with this change in legislation?

Was that clear enough?

Mr. Daniel Macdonald: The legislation is not going to change the amount of funding received from the Government of Canada to territorial governments.

But I can observe that, as it's disclosed on the Finance Canada website, for example, if you're looking to territorial formal financing, I have figures here that read that in 2005-06, territorial formal financing was just over \$2 billion to the three territories in total, and for the 2012-13 year it's \$3.1 billion.

Is that...?

Mr. Brian Jean: Yes, in fact, that was the point. It's not to deal with the change of money; it's a structural change to be more efficient in government and to have clearer expectations and understanding of how they can proceed and whether or not they're going to be successful or what the chance is of success. Is that fair to say?

Mr. Daniel Macdonald: Yes.

Mr. Brian Jean: Thank you. Those are all my questions.

The Chair: Thank you, Mr. Jean.

Are there any further questions on this division? Okay.

Mr. Macdonald, I want to thank you very much for being with us here today and responding to our questions very clearly. We appreciate that.

We will bring the next set of officials forward for division 5, "Reporting Requirements", which is on page 194 of the bill.

We want to welcome you to our committee, and if you have an opening statement or if you want to give an overview of the division for the committee, we invite you to do so at this time.

Mr. Nicholas S. Wise (Executive Director, Strategic Policy, Priorities and Planning, Treasury Board Secretariat): I will. Good morning.

I do have a statement to read, just to indicate in more detail what we're proposing. Before doing that, I'd like to provide some context. These proposals are part of a generalized review we've been undertaking within the Treasury Board Secretariat, looking at reporting requirements and trying to find ways to reassess them in terms of the resources that are put into creating them and to try to eliminate where it seems appropriate to do so.

There are three elements here.

The repeal of section 12.4 of the Financial Administration Act and section 28 of the Public Service Employment Act would eliminate

the requirement for the President of the Treasury Board to table the annual report to Parliament on human resources management. Effectively, the report duplicates information that is available elsewhere in a number of sources, and therefore the cost of producing and tabling this report is no longer seen to represent an efficient use of resources. Also, the information that comes to Parliament is often out of date by the time it reaches Parliament, and it is available in a more accessible and timely manner through other vehicles.

The next element is that a new section 151 would replace sections 151 and 152 of the Financial Administration Act. It would create a report that consolidates the quarterly financial reports of crown corporations and provide regular updates on the tabling of their corporate plan summaries and annual reports in Parliament. It replaces effectively the annual report to Parliament on crown corporations and other corporate interests of Canada, which provides readers with information that is often outdated at the time of publication. The new reports would include information on the composition of government and the businesses and activities of federal crown corporations, and the President of the Treasury Board would make it available electronically to the public four times a year rather than once through the annual report.

Lastly, the repeal of section 8 of the Alternative Fuels Act would eliminate the requirement to produce an annual report to Parliament on the application of the act. This section is being repealed because the report presents the same conclusion every year, in effect, and has done so for quite some time, namely, that the use of alternative fuels is not cost effective and is only operationally feasible in select areas of the country. Because of its repetitive nature, the report is of limited use to parliamentarians and Canadians, and the effort required to gather and analyze the data to prepare the report represents again a substantial burden on departments and on the agencies to collect that information.

Those are the three elements. As I say, they represent three legislative changes we're seeking as part of a generalized review of reporting requirements. Again, the idea is to make information more readily available through other means and not to have information duplicated annually in this manner.

• (1035)

The Chair: Thank you for your overview.

We'll start with Ms. Nash, please.

Ms. Peggy Nash: I have just two quick questions. You said that the reporting requirement for the President of the Treasury Board's report was being eliminated because it was available elsewhere. Can you tell us where it is available?

Mr. Nicholas S. Wise: The source is the management accountability framework. It contains the information, which all departments make available on their respective websites.

The Clerk of the Privy Council's report to the Prime Minister, which is released every year, contains that information as well. There is also the Public Service Management Dashboard, which contains a lot of that information and can be accessed.

We're actually checking to see whether it can be accessed by the public. My understanding is that previously it could be, but this information is duplicated in a number of online vehicles, making this information more immediately available.

Ms. Peggy Nash: So is there is no advantage to having this report? It doesn't keep in one place things that are in different places, or is it all available in one place?

Mr. Nicholas S. Wise: That's correct: information is available in one place.

The annual report was designed at a time when it was quite difficult to gather that information in an easy manner. Much of the information—in fact, all of it—now is available in a variety of online sources and can be made available, as I say, more immediately. So there's the accessibility question, but also, the annual reports tend to be a bit outdated by the time they're compiled and tabled. This would keep the information fresher.

Ms. Peggy Nash: I have one other quick question on the reporting requirement under the Alternative Fuels Act. One of the objectives of the Alternative Fuels Act was that starting in April 2004, 75% of the motor vehicles purchased by federal departments, agencies, and crown corporations would operate on alternative fuels.

Has that goal been achieved by the departments and agencies and by the government?

Mr. Nicholas S. Wise: No, it's not a goal that has been achieved, and the growing sense that it's not a cost-effective alternative means that it's going to be a very difficult goal to achieve over time, particularly given other alternatives.

Hybrid cars, for example, are not included in that definition of alternative fuels. They seem to be more cost-effective, in terms of the efficiency of the vehicles, and also the availability of alternative fuels is quite limited.

So this is a goal that is unlikely to be reached soon.

• (1040)

Ms. Peggy Nash: Are saying that changing this to a requirement that hybrid vehicles be used might be a better alternative?

Mr. Nicholas S. Wise: We are looking into whether the act itself will be updated to reflect that alternative. As I say, in this instance it's really just focusing on this annual report, which doesn't present new or interesting information on an annual basis and does represent a bit of a misuse of resources, in the sense that there are efforts and resources deployed to put that annual report together but it doesn't bring any new information to Parliament or to Canadians.

Ms. Peggy Nash: Thank you.

The Chair: You have about two minutes, if you want to use them, or you may want to use a full round later.

Mr. Guy Caron: No, I have just one question.

[Translation]

I don't know whether you have talked about this, but is the auditor supposed to examine the accuracy of the comprehensive report? Is that authority or obligation taken away from the auditor?

[English]

Mr. Nicholas S. Wise: Yes.

[Translation]

Mr. Guy Caron: Why?

Ms. Christiane Allard (Advisor, Strategic Policy, Priorities and Planning, Treasury Board Secretariat): In the consultations with the Office of the Auditor General and the Treasury Board Secretariat, everyone agreed that this requirement should be removed. The Office of the Auditor General said that it had other priorities. The audit was carried out only on the time frame. The new clause 151 suggests including in the report all the crown corporations that fail to meet the deadline for making the report public. That will be reflected in the reports. That is why the requirement has been removed. This way, the resources can be dedicated to other priorities.

Mr. Guy Caron: The Auditor General no longer has the obligation to verify the accuracy, but he may still do so voluntarily.

Ms. Christiane Allard: I assume that he has the authority to do so.

[English]

The Chair: Let's go to Mr. Jean, please.

Mr. Brian Jean: Thank you, Mr. Chair, and thanks to the witnesses.

I had an opportunity to work with Transport Canada for a while during the ecoAUTO rebate program. It was quite successful in some terms. It was taken up by about 170,000 Canadians—for about \$200 million, I think. Is that correct?

Mr. Nicholas S. Wise: I honestly couldn't say.

Mr. Brian Jean: It is correct. At least the website says so, and so I hope so.

My understanding in relation to some of those vehicles, including hybrids, is that there are some reports out that indicate that the life-cycle cost of batteries is in fact much more worrisome—in landfills, etc.—than GHG emissions, so there is some dispute about whether hybrids would be more environmentally friendly than traditional automobiles or not. I know that automobiles today are 30 to 35 times more fuel-efficient and are more reductive of GHGs than they were 10 years ago, so we have come quite a way.

The definition of insanity is to do things over and over again with the same result. We've had this Alternative Fuels Act report over and over again, and it keeps coming up with the same result.

What would be the cost associated with producing a report like that? I know it's very difficult to itemize it, because each department collects the data and there must be a hundred people every day looking at the data they put into this report. But what would be the cost, in actual terms, that you're aware of?

Mr. Nicholas S. Wise: You're right that it is a very difficult thing to quantify. It would be hundreds of thousands of dollars, once you add up the people hours required to gather and analyze the data and put it together in a report. It's not a huge amount, but given the utility of the report, it was seen to be not a necessarily cost-effective way of presenting that information.

Mr. Brian Jean: In fact, printing it, having it come to Parliament.... It must be in the millions of dollars, I would suggest. I've only been here eight years, but I see the reports and the use of them. Usually they go to my desk, and then they go to the recycle bin, to be blunt. I would suggest that it would be not much different with this. I don't even remember seeing this report, but I can imagine that it would come to every parliamentarian and every other person on this part of the planet. I can't imagine that the cost would be less than a couple of million dollars.

Mr. Nicholas S. Wise: Again, I couldn't really speculate, but it is significant.

Mr. Brian Jean: Great. I appreciate that, and whoever made the decision, I appreciate their saving taxpayers' money.

Thank you.

• (1045)

The Chair: Thank you, Mr. Jean.

We'll go now to Mr. Casey, please, for a five-minute round.

Mr. Sean Casey: Mr. Wise, you indicate that many of the reports we're now relieving the President of the Treasury Board from having to produce and table contain information that is otherwise available, and that this is part of the rationale.

Just for completeness, can you confirm that the other sources by which they are available are public sources, available to the public?

Mr. Nicholas S. Wise: For the information contained in the crown corporation annual report, the idea is to have it made available through the course of your report. It's just a switching of vehicle. It's breaking down the information and consolidating the information four times a year, rather than presenting one part of the information annually.

As I say, we are trying to compile a list of the information contained in the human resources management report and to make available information on where the other sources of information are. All of that information is available through other vehicles; we just want to make sure that when we provide the information, we have an understanding as to which vehicles contain what information.

We will provide that list.

Mr. Sean Casey: Are the other vehicles you mentioned accessible by the public?

Mr. Nicholas S. Wise: That's correct, yes.

The general review that I referred to at the beginning is part of an effort that recognizes that ultimately, in this instance, when the laws were put in place and the requirement for an annual report was included, it was at a time when it was quite difficult to obtain that information. To make it available, the annual report seemed to be the most convenient vehicle for doing so. But in an increasing number of cases now, that information is available online in a much more easily accessible manner.

This is trying to recognize that it seems almost artificial to keep producing an annual report when the information is both relatively stale by the time it's compiled but is also much more instantly available through other vehicles.

But, again, we will make sure that those locations, if you like—we are talking about websites—are made available, so that there's clarity around precisely where the information is found.

Mr. Sean Casey: My question is a general one. Does this decision to drive the public to websites, as opposed to having a complete consolidated report presented in Parliament, not reduce government's accountability to Parliament?

Mr. Nicholas S. Wise: Again, our view is that the information provided is ultimately to help decision-makers make decisions, and in many cases we've found that because the annual reports contain old information, they're not that useful for decision-making purposes.

One other element I would suggest, and I'll use these three as examples, is that in general the annual reports provide information in segments.

I think the benefit of having online information, in addition to it being easily accessible, is that it helps consolidate information so that decision-makers are able to look across ranges of information, as it's integrated and consolidated in ways that annual reports sometimes don't permit.

Again, if we're talking about the ability for parliamentarians and decision-makers to use that information to make decisions, our sense is that the annual report is not necessarily always the best vehicle, at least in these cases.

Mr. Sean Casey: One of the things the amendments do is to remove a July 31 deadline with respect to presenting the results of crown corporations and replace it with "as soon as feasible". Given your comments that by the time much of the information that comes before Parliament gets there it's outdated, is not an extension such as removing a deadline going to compound the problem rather than improve it?

Ms. Chirstiane Allard: Actually, the July 31 date was an arbitrary deadline that was set, asking crown corporations to report up to that period.

You'll notice that there was another amendment, a technical change in that section where we replaced "fiscal" with "financial" year. I guess that was to correct a legal error when the legislation was first introduced. Crown corporations operate on financial years that are not always aligned with the Government of Canada fiscal year. There was some confusion on the reporting period, given that crown corporations have different financial years, with some ending in December and some ending in July. What was effectively happening with the annual report with this July 31 deadline was that sometimes you would get information that was 18 months out of date by the time the report was tabled.

We are proposing that because the crown corporations already have an existing legislative requirement to produce quarterly financial statements, those would be consolidated on a quarterly basis, thereby removing that reporting timeline. The idea that we're introducing reporting "as soon as feasible" is to recognize that at every quarter, crowns have 60 days to make their information public. Once the Treasury Board Secretariat receives that information, we will compile it as soon as possible after that 60 days, consolidate it, and make it publicly available.

It also recognizes that as we're moving to more modern, accessible, online formats, the time it will take to consolidate these reports may get shorter over time. As it stands, it takes about 60 days for the Treasury Board to produce these annual reports to consolidate all the information. We're hoping this will be expedient.

•(1050)

The Chair: Thank you.

Is there anything further? Do any other members have questions? No.

I want to thank our officials for being here, and thank you for responding to our questions very clearly.

We'll bring the next officials forward for division 6, "Social Security Tribunal and Service Delivery". For your reference, this is on page 196.

I want to welcome you to the committee.

If you have any opening statement or if you want to give an overview of this division, please do so now, and then we'll have questions from members.

Ms. Sue Foster (Director General, Policy, Quality and Appeals Directorate, Department of Human Resources and Skills Development): Thank you.

Division 6 amends the Human Resources and Skills Development Act as well as the Canada Pension Plan, the Old Age Security Act, and the Employment Insurance Act to create a social security tribunal, which will replace four existing tribunals that hear appeals related to the three programs I mentioned.

Division 6 also introduces a new part to the Human Resources and Skills Development Act related to the provision of electronic services. This is not related to the social security tribunal changes; they are separate provisions. The electronic services provision is intended to provide the department with the authority to expand the provision of our services to an electronic environment, and to do so in a way that is consistent across the three programs, those being the employment insurance program, the Canada Pension Plan, and the old age security program, in addition to grants and contributions that are provided under the same department.

This means that although with the employment insurance program we are well advanced in the provision of our services to an electronic environment, we are moving toward this transformation in the pension world, specifically related to the old age security program right now. Our service improvement strategy is focused largely on moving these programs away from the paper-based environment that we currently work in to an automated world where we can use electronic signatures and electronic identity verification. So the intention is to ensure that as we expand the transformation of our electronic service provision, we do so in a very integrated and interoperable way.

For example, when we do identity verification in the Canada Pension Plan, we would take the same approach we do with employment insurance or the old age security system. That's the electronic services provision, which is created through the addition

of a new part 6 to the Human Resources and Skills Development Act.

Back to the tribunal, which is the more significant change in division 6. Division 6 introduces a new part 5 to the Human Resources and Skills Development Act, as I said. The first two clauses have various sections in them that create the social security tribunal, outline its structure, how its membership will be organized, how members will be appointed to the social security tribunal, the administration of the tribunal, the function of the SST, and a number of regulatory authorities associated with the tribunal.

When you look at this section in the legislation, it's interrupted by the electronic services piece. First we have the amendments to the Human Resources and Skills Development Act for the social security tribunal, which is part 5 of our HRSD act, and then it introduces part 6 for the electronic services I just explained. Then it introduces a number of amendments to the Canada Pension Plan, the Old Age Security Act, and the Employment Insurance Act, which are related to the social security tribunal amendments, which are introduced in the new part 5. So it is a little difficult to navigate through this piece and see how they all link together.

Clauses 225 through 250 are the amendments related to the social security tribunal for the three programs I mentioned. Then we have transitional provisions, which outline how we will move from the existing program under the existing four tribunals that hear appeals to the one tribunal, which will start hearing appeals on April 1, 2013.

After that you have a number of clauses that introduce consequential amendments flowing from the social security tribunal to other pieces of legislation that currently mention one of the four other existing tribunals. So it is just moving the mention of the particular...for example, changing the Pension Appeals Board to make reference to the social security tribunal.

That is the overview of the changes contained in division 6.

•(1055)

The Chair: Thank you very much for that overview.

We'll start with Mr. Marston, please.

Mr. Wayne Marston: Thank you, Mr. Chair.

Welcome.

In a previous life I was one of the people who helped select nominees for the labour position on the EI boards, so I have a particular interest in this.

Currently, you have Canadians who appeal departmental decisions, either EI or CPP or OAS, to separate tribunals, as you've indicated. My figures here said that last year the EI tribunal heard 27,000 appeals and 1,800 further appeals to umpires. The CPP and OAS tribunal heard 4,500 appeals. There are 900 members who hear the cases at the EI tribunal alone and the government wants to fold them together with just 74 full-time members and the backup of 11 part-time.

What commonalities do you see between these groups, the EI, CPP, and the OAS, that justify a joint tribunal?

Ms. Sue Foster: The idea behind combining the four tribunals into one was largely driven by administrative efficiencies and improving service to clients in terms of them knowing where to file their appeal.

To answer the first part of your question on the members of the tribunal, in the first level of the tribunal there will be two specific sections. Under the general division there will be the employment insurance section and the income security section. So the members of these two sections will be separate members who are chosen with separate and different competencies and different experience—

Mr. Wayne Marston: How many of them would there be?

Ms. Sue Foster: For the employment insurance side there are 39. The remainder are for pensions. So when we're hiring the individuals associated with these two sections, they will have specific skills that are required—

Mr. Wayne Marston: If I could interrupt you again—I'm sorry—when compared to today, how many would there be doing this work today? You said 39 are doing it. How many people...?

Ms. Sue Foster: Well, we have over a thousand part-time tribunal members who hear appeals from the three programs.

Mr. Wayne Marston: So we're going to 39 from a thousand...?

Ms. Sue Foster: Well, a thousand is for all of the tribunals, right?

Mr. Wayne Marston: Okay.

Ms. Sue Foster: But they are also part time.

The members of the social security tribunal are full time. They will be doing this full time. We're also moving from three-member panels to one-member panels, which also accounts for the difference in the number of members.

Mr. Wayne Marston: In the past, there have been business and labour, so at this point, that will no longer be the case, then?

• (1100)

Ms. Sue Foster: In order to be recommended for appointment to the employment insurance section of the general division, which is the first level of appeal, the current commissioner for workers and the commissioner for employers, the employment insurance commissioners, as well as the chair of the social security tribunal—these three members together—will form a committee that will make recommendations to the minister in terms of appointments to the employment insurance section. So there is still a component whereby the stakeholders of the program will have an opportunity to recommend appointees.

Mr. Wayne Marston: I guess in the past there was kind of a sense of balance between business and labour that clearly won't be there anymore, so we're going to have two different perspectives in it....

What do you think the change is? What impact on regional access do you think you'd have with this? I mean, if you're taking the numbers of people down so dramatically, it sounds to me like it has to have some impact. Have you looked into that or considered it?

Ms. Sue Foster: Right now, the decision of where the actual tribunal panels will be located has not been determined. It's a Governor in Council decision.

In terms of regional access, part of the design of the social security tribunal and part of the savings expected to be realized through the proposal are related to the move away from a lot of paper-based hearings. So we're hoping to increase the occasion for individuals to have their hearings through video conferencing, as is possible, according to the region they reside in. So we're hoping there won't be a regional impact.

The Chair: You have 30 seconds.

Mr. Wayne Marston: Has my time gone already? Gee whiz.

Well, my next question I can't even ask, because I know it's too long.

The Chair: We could have another round.

Mr. Wayne Marston: Okay. We'll pass for now.

The Chair: Okay.

I just want to clarify a couple of things. I very much like the idea in terms of combining. You mentioned April 1, 2013. That's when the new tribunal will be up and operating, correct? I think probably the only concern one would have on this is the transition period between them coming together. Can you just address that?

Exactly how are you going to do the transition to ensure that it is seamless, so that for people who have something currently in the process when that switchover happens, it will be seamless for them?

Ms. Sue Foster: The new tribunal will open its doors in April 2013, as I mentioned. The existing tribunals will continue to hear and consider cases that are in their system at that time to ensure that it's seamless for clients.

The Chair: So they'll finish them.

Ms. Sue Foster: They'll phase out. So new appeals coming into the systems effective April 1, 2013, will go into the social security tribunal system, whereas those already in the system will continue in the existing system.

The Chair: Okay. That's the clarification I wanted.

I'll go to Mr. Casey now, please.

Mr. Sean Casey: I just have one question. It relates to the right of appeal beyond the appeal division of the newly formed panel. Is it limited to judicial review or is it broader than that?

Ms. Sue Foster: It's limited to judicial review by the Federal Court.

Mr. Sean Casey: All right, so there's no appeal on the merits.

Thank you. That's all I have.

The Chair: Thank you, Mr. Casey.

Mr. Marston.

Mr. Wayne Marston: Thank you, Mr. Chair, and I appreciate the chance to get back in.

One of the concerns I have, having seen or at least spoken to people we've had as referees before, is the importance of having that face-to-face contact. I know video conferencing supplies a method, but the face-to-face, where things are drawn out in a different fashion, give a better understanding: do you believe the person or do you not believe the person when you're face to face? I'm really concerned about that. And I'm concerned about the changes to regional access.

Beyond that, you have a situation where, if there are so few people and it's more concentrated, for lack of a better term—understanding the region and understanding the diversity of our country—this has the potential to create problems. We hear the minister talking about changes to EI and accessing EI, and I won't get into the controversy over the things that have been said on that, but based on the changes that appear to be before us on EI, I think there will be an increase in appeals. They've said they're going to restrict transfers to the areas people live in, and if there's no work in that area, what's going to happen? If a person refuses to go, what's the potential for appeal? I think this is problematic. With so few adjudicators, do you have a set of parameters you think will be used? Are you aware of any parameters of expertise and background that will be used?

• (1105)

Ms. Sue Foster: We're in the process of developing the job descriptions for the competencies, experience, and skill sets that the members would be required to have to compete for these positions. They will require expertise in the area in which they will be hearing appeals, and they will also, unlike now, do this full time. So any expertise on regional differences they need to hone will be acquired as they are hearing the cases on a full-time basis.

Mr. Wayne Marston: As I indicated before, the business and labour sides had a lot of sway in the activities. When you're setting these criteria, are you including business and labour advisors? The commissioners are in place. Are they going to be assisting?

Ms. Sue Foster: Yes, the employment insurance commissioners are participating.

Mr. Wayne Marston: So the labour ones would be part of it as well. That's good news. I'm pleased to hear that; I don't want to sound critical of everything.

Disability claims or appeals make up a huge amount of the workload, and you nearly have to be a medical person to have that kind of understanding. To take all of these things and condense them down into so few people, I think you have your work cut out for you.

What are your thoughts on that?

Ms. Sue Foster: When someone is competing for a position as a member of the various panels, there will be criteria that he has to meet to be appointed. When they're hearing cases on, say, the Canada Pension Plan disability, they will have access to lawyers and medical expertise for their decision-making.

Mr. Wayne Marston: It will be like us—they'll have staff behind them.

Ms. Sue Foster: Exactly.

Mr. Wayne Marston: Okay. That's all I have.

The Chair: Thank you very much, Mr. Marston.

Monsieur Mai.

[*Translation*]

Mr. Hoang Mai: Thank you, Mr. Chair.

Like my colleague Mr. Marston, I have a few concerns about all this being condensed. You said that people's appeals will be heard in tribunals by one-person panels instead of three-person panels.

[*English*]

Ms. Sue Foster: That's correct.

[*Translation*]

Mr. Hoang Mai: It was also said that a number of positions would be cut. Do you know how much the government will save by cutting all those positions and tribunals?

[*English*]

Ms. Sue Foster: The expected savings of putting the social security tribunal in place are \$25 million.

[*Translation*]

Mr. Hoang Mai: Thank you.

Are the new people who will be working at those tribunals already occupying positions now, or will everything be started over?

[*English*]

Ms. Sue Foster: The individuals who currently are members of the panels will have the opportunity to compete and apply for the positions on the new panels.

[*Translation*]

Mr. Hoang Mai: I see, but there are no guarantees or direct links, correct?

[*English*]

Ms. Sue Foster: No, it's a competitive process.

[*Translation*]

Mr. Hoang Mai: Okay.

How many jobs will be cut in all? I think you talked about part-time positions, but how many jobs will be cut to end up with those 74 positions?

[*English*]

Ms. Sue Foster: We're moving from just over 1,000 part-time panel members to 74 full-time panel members.

[*Translation*]

Mr. Hoang Mai: All those who are currently members of tribunals work part time, correct? No one works full time or anything like that.

[*English*]

Ms. Sue Foster: That's correct.

[*Translation*]

Mr. Hoang Mai: What do you mean when you talk about part-time positions?

[*English*]

Ms. Sue Foster: The commissioners actually are full time. The EI commissioners are full-time positions.

[Translation]

Mr. Hoang Mai: How many commissioners are there?

[English]

Ms. Sue Foster: There are two.

Mr. Hoang Mai: Two.

Ms. Sue Foster: One for workers and one for employers.

• (1110)

[Translation]

Mr. Hoang Mai: You estimate that the number of jobs lost is 900, including part-time positions. There are more than 1,000 employees or tribunal members, and there will be 74 positions. We are still talking about 926 jobs and more.

[English]

Ms. Sue Foster: These are actually Governor in Council appointee positions, so we're moving from a thousand part-time members to 74. It's difficult to know how many of the existing part-time members may possibly be participating in the new tribunal until the process of staffing those positions is completed.

[Translation]

Mr. Hoang Mai: What do the part-time positions you mentioned represent in terms of hours?

[English]

Ms. Sue Foster: I think right now they're working about two full days a month.

Mr. Hoang Mai: Two days a month. *Merci*.

The Chair: We'll go to Ms. McLeod, please.

Mrs. Cathy McLeod: Thank you, Mr. Chair. I want to follow up on my colleague Mr. Mai's line of inquiry. I have had conversations with people who are on these tribunals, and when you talk about two days a month.... I know they're very committed and very keen, but I think with anyone who does a job only two days a month, as opposed to being full time in a job, the issues around training and expertise become a challenge.

First of all, I really applaud these changes, but I think in terms of the ability to be full time and focused versus very sporadic is going to be of great benefit to the system.

Could you speak to that issue?

Ms. Sue Foster: Yes, thank you.

Part of the proposal is that by there being full-time members, fully engaged in hearing decisions, particularly at the general division level for the two different sections, this will also be of benefit to clients, because they will get clearer decisions from experts who understand the programs. Therefore, I think that in addition to the obvious administrative efficiencies that are associated with streamlining the program, clients can also be assured that the individuals who are hearing their cases are well familiar with any changes.

These programs are like living trees; they change all the time. So you're right, keeping the part-time members fully abreast of the constant policy changes that are happening in the program is a challenge. It's a challenge to keep them up to speed, but with full-

time members, they will be constantly experiencing cases associated with the policy as it evolves.

Mrs. Cathy McLeod: Thank you.

The Chair: We'll go back to Monsieur Mai.

[Translation]

Mr. Hoang Mai: I was not going to take the floor again, but I don't completely agree that the tribunal members are not well-trained. I understand that the goal is to concentrate the workforce and have full-time employees. However, it would be inappropriate to say that the current employees are not doing good work. I just wanted to clear that up.

Could you tell us a bit about how people are trained, even if they are part-time employees? I believe that those people have solid knowledge of their cases and that they do good work in their tribunals.

[English]

Ms. Sue Foster: I didn't mean to suggest that the existing tribunal members are not trained.

What I thought I said was that it's difficult for them to be constantly abreast of the constantly changing policies associated with these three programs, and particularly with the employment insurance program, which is, as you know, a labour market program and needs to be extremely adaptable to the ever-changing and broad labour market program.

So on the employment insurance side, we actually provide something like a hundred annual information sessions to board or referee members who attend these sessions. They are trained. As soon as the legislation changes, the information sessions are updated to provide an overview of the training. They're also provided with training on jurisprudence that is coming through the system that they may not otherwise be aware of. So yes, they are very well trained. They are giving fair decisions, but they do it part time.

[Translation]

Mr. Hoang Mai: Thank you.

[English]

The Chair: Okay. *Merci*. I think those are all the questions.

We want to thank you very much for being with us and giving us an overview of that particular division.

We will call forward the officials for division 7. Thank you very much.

Division 7 deals with "Consolidation of Privacy Codes". We want to welcome you to the committee and invite you to give us an overview of that division.

• (1115)

[Translation]

Mr. Peter Edwards (Acting Corporate Secretary, Corporate Secretariat, Department of Human Resources and Skills Development): Mr. Chair, my colleague and I are very happy to be able to appear before the committee this morning to talk about projections regarding privacy.

The Budget Implementation Act will result in the merging and harmonization of the five privacy codes our department currently has. The privacy codes are there to protect private information under the department's responsibility. One of the things those codes specify is when and how that information may be shared. This protection goes beyond basic measures provided for in the Privacy Act owing to the extremely delicate nature of the information we gather.

[English]

So this information goes beyond the protections of the Privacy Act. The amalgamated privacy code, which is proposed here, uses mainly pre-existing provisions from five different acts, and this code reinforces the fundamental value that a citizen's personal information is privileged.

It will greatly streamline departmental activities and will provide a consistent approach. It will also improve the integrity of our programs. For example, the privacy code currently allows for the disclosure of personal information with other countries for the administration or enforcement of Canadian law under agreed upon conditions and where the minister considers it advisable. This has been possible for the employment insurance program.

By bringing all the programs under the same code, this will allow us to pursue stronger integrity for the Canada Pension Plan and old age security. As I said, this mainly uses pre-existing provisions from different acts. It appears to add a lot of new text, but the new text is appearing new in the departmental act and is coming from other statutes.

One thing that is made more clear with these amendments is that the departmental act will be amended to make explicit our authority to disclose information to provinces in support of provincial activities, subject to conditions and the prescription of the provincial activity in regulations. This change will ensure that operational needs of provincial programs and services will be met and will support work on important federal and provincial files such as labour market development agreements.

Additionally, authority to disclose information contained in the social insurance registry will be moved from the Employment Insurance Act and the Privacy Act into the Department of Human Resources and Skills Development Act. This will enhance privacy protection by ensuring that such information is governed by the same privacy requirements and safeguards as are other HRSDC programs.

We're very happy to talk about the provisions in the act.

The Chair: Thank you very much for your presentation.

We'll start members' questions with Ms. Nash.

Ms. Peggy Nash: Hello, and thank you for being here.

Just as a clarification, the amendments to the three acts don't explicitly set out the provisions relating to the protection of personal information found in the Department of Human Resources and Skills Development Act, how it would apply to the old age pension and the Old Age Security Act. Were these affected departments, as well as the offices of the Privacy Commissioner and the Information Commissioner, consulted prior to the drafting of the amendments?

Mr. Peter Edwards: I believe the question has two parts. I'll deal with the second one first.

We did consult the Office of the Privacy Commissioner. The code, which is contained in the departmental act, actually dates from several years, and the Office of the Privacy Commissioner was consulted at the time.

In bringing forward this harmonization, we have consulted the office again. They have not raised any specific concerns with respect to the harmonization we're proposing.

I believe the first part of the question dealt with how CPP and OAS are being folded into this. You're right; since this is a harmonization, this does not show the sections of the act that are already there. What this does is it essentially takes pieces out of the CPP and the OAS Act, move them into the departmental act, and harmonize them all together, which has the result of ensuring that that code applies consistently across our programs.

• (1120)

Ms. Peggy Nash: So the same protections of personal information would apply.

Mr. Peter Edwards: That's correct.

Ms. Peggy Nash: Can you just clarify again the rationale behind that change?

Mr. Peter Edwards: Well, in a general way, it has been administratively interesting to deal with programs for which the personal information is protected under a bunch of different pieces of legislation and the same standards have not applied across the different programs.

To facilitate administration so that we are always consulting one code instead of several pieces of information, and to ensure that the same standards apply—that's the rationale for bringing them together.

Ms. Peggy Nash: Okay.

Those are all my questions. Thank you.

The Chair: Thank you, Ms. Nash.

We'll go to Mr. Casey, please.

Mr. Sean Casey: Thank you, Mr. Chairman.

My first question relates to some wording that's employed here. The wording that previously existed was "protection of personal information". Now the wording that we see is "availability of information".

Can you just lay out the rationale for that change? I presume there's some real legal significance.

Mr. Peter Edwards: You're referring to clause 292, I believe?

Mr. Sean Casey: Yes.

Mr. Peter Edwards: This just reflects the consequential nature of these amendments. Since it is taking the protections that were contained in the CPP Act and moving them into the departmental act, the protections are retained, but what is left over in the other act no longer deals with protection.

So the heading of the section changes, since what's left in the other act just deals with availability, but the protections are maintained and moved into the departmental act.

Mr. Sean Casey: Okay.

You indicated in response to an earlier question that the Privacy Commissioner had been consulted. Is that also the case with respect to the Information Commissioner?

Mr. Peter Edwards: I want to clarify that we have consulted the Office of the Privacy Commissioner, not the commissioner herself.

We did not consult the Office of the Information Commissioner.

Mr. Sean Casey: Okay.

Mr. Peter Edwards: These amendments deal with protecting information, and the Information Commissioner deals with ensuring that Canadians have access to information about their government and their programs. So we didn't have a reason to consult the Information Commissioner.

Mr. Sean Casey: You touched on this in your opening remarks, but I'd invite you to expand on the impacts on the provinces and territories of these changes.

Mr. Peter Edwards: The provinces and territories won't be so much impacted, because what this does is it simply makes clear an authority for us to share information as needed to support programs that we're working with in the provinces and the territories. Work that has been going on should continue as it has in the past.

What it does explicitly is it adds the word provincial "activity". Before it talked about provincial "laws". Some provincial programs, such as the work they do on labour market development agreements, will not necessarily have a specific law in the province related to that activity. This adds the words "activity" to make our authority clearer. And any of those activities will have to be listed in federal regulation to ensure that protections are in place.

Mr. Sean Casey: The whole objective here—I presume it's to save money? Or is it just to clean up the multiple codes it had?

• (1125)

Mr. Peter Edwards: I would say it is the second of the two. The privacy protections that exist and that we administer have developed over the years as the department has gone through various manifestations and as our programs have been developed and come online. In 2012, it makes sense to harmonize the codes to ensure consistent applications to privacy protection.

Mr. Sean Casey: So you don't expect to see any savings?

Mr. Peter Edwards: No.

Mr. Sean Casey: It's not the goal.

Mr. Peter Edwards: It will make some of our work easier. My colleague and I may spend an hour on something rather than two hours, so we save a little bit.

Mr. Sean Casey: Thank you.

The Chair: Thank you.

There are no further questions on this division, so I want to thank you for being with us today and for responding to our questions.

We'll now call the next set of officials for division 8, "Social Insurance Number Cards". That's on page 235 of the budget.

Do you have a point of order, Mr. Hoback?

Mr. Randy Hoback (Prince Albert, CPC): Mr. Chair, we've been here for a couple of hours now. Could we break for two minutes to return phone calls?

The Chair: I will suspend to allow colleagues to take a bit of a break. We will come back in two minutes.

• (1125)

(Pause)

• (1130)

The Chair: I'll call this meeting back to order. This is the 60th meeting of the Standing Committee on Finance. We are continuing our study of Bill C-38 and we are in part 4 at division 8, "Social Insurance Number Cards".

I want to welcome Mr. Boyd to the committee and ask him if he can give us an overview of his division, and then we'll have some questions from members.

Mr. Peter Boyd (Director General and Departmental Security Officer, Integrity Services Branch - Internal Integrity and Security, Department of Human Resources and Skills Development): Thank you, Mr. Chair.

This particular division of the bill runs from clause 304 to clause 314.

In the context of the presentation you just heard from my colleagues about moving various pieces of the EI Act into the departmental act, the text you see in these clauses reflects that move because it is happening at the same time; it makes some additional changes to some of that text to deal with the social insurance number card. It's been proposed to eliminate the production and issuance of the social insurance number card as of March 2014, so we would stop printing the card at that point. This would yield savings in the range of \$1.5 million.

Fundamentally, we don't require the card for service delivery. It's the number that is the key piece within our service delivery framework. The card is merely a reminder of that number, so as of March 2014 we'll be replacing the card with a letter, which is more efficient and easier for us to print.

That's the main piece within this section. There are also some consequential changes to some other pieces of legislation relating to the Wheat Board, the Farm Income Protection Act, the Immigration and Refugee Protection Act, and the Wage Earner Protection Program Act because they all make mention of the card. So those changes are strictly to reflect that.

Clause 307 talks about money, and it merely maintains the source of funding for the social insurance register and card, the program around the social insurance number. It maintains the status quo from what was before, recognizing the change in the act.

There's also a consequential change in the Canada Pension Plan Act, as it also makes reference to the card and actually requires the card to be presented to an employer within 60 days. So that has been changed to say that the number must be given to the employer within 60 days for the employer to then report it on the various documents on which they are required to do it.

At high level, that is what this section is proposing.

•(1135)

The Chair: Okay. Thank you very much for that.

We'll start *avec M. Caron, pour cinq minutes.*

[*Translation*]

Mr. Guy Caron: Thank you.

The question I will ask is a major concern for me. Subsection 28.2 (5) states that the commission “[...] may make available any information contained in the registers [...] for the accurate identification of persons and for the effective use by those persons of Social Insurance Numbers [...]”.

Which guidelines determine to whom the commission may disclose that information?

[*English*]

Mr. Peter Boyd: Yes, this is an existing provision, so this doesn't change because of this amendment.

The commission is able to make information available for the purpose of effective identification of the client and for the effective use of the social insurance number. Those are two terms that give the high-level guidelines, and then any decision the commission makes is also guided by the lesser legislation that they talked about previously around privacy, the Privacy Act, as well as a number of other acts of Parliament that provide authority for that particular program to use the social insurance number. For example, the Income Tax Act authorizes CRA to use the social insurance number, and therefore disclosing that information to CRA for those purposes is allowed under the act. So it's in that way.

[*Translation*]

Mr. Guy Caron: I was under the impression that there was already a social insurance register in place, since we receive our cards. I thought the information was compiled somewhere. I am surprised to hear there isn't a register.

Which pieces of information will be deemed necessary for inclusion in the register? I imagine the number and the person's name will be required, but I'd like to know the extent of the information it will contain so that a person's identity can be determined.

[*English*]

Mr. Peter Boyd: The social insurance register does exist. It was created in 1964, when the social insurance number was originally created. That does not change in this amendment. That is very much the status quo.

I don't have an exhaustive list here, but the information contained in that register is obviously the name, the address we sent the letter or card to, the date of birth, gender, and those sorts of pieces. As well, there are a few administrative things, such as whether the person has been declared dead or whether they've not used it in several years. A lot of administrative flags are also in there.

That's the nature of the information in the register, and it has been for many years.

The Chair: I just want to follow up on one point.

My understanding is that one of the reasons for doing this is for security and identity theft reasons. It's an issue I've worked on for years. Is my understanding correct, Mr. Boyd?

Mr. Peter Boyd: Yes, that is correct. The social insurance number card is simply a piece of plastic with your name and number punched into it and some ink. An enterprising grade 12 student could do it in his or her parent's basement without the parents even knowing. It doesn't provide any security. Moving away from reliance on the card provides benefits from an identity theft perspective.

The Chair: From Service Canada's point of view, what would your advice be on how to keep the document secure electronically? I'm also thinking of seniors. Many seniors still keep things in paper form. Do you have any advice, from Service Canada's point of view, on where Canadians should keep their SIN number and on how they should keep it secure?

Mr. Peter Boyd: Certainly.

In fact, on the Service Canada website, under the heading “Social Insurance Number”, there are, in fact, a couple of booklets. One is specifically on protecting your information, and one is a code of conduct, we call it. It's not just about how individuals are supposed to use social insurance numbers but also about how businesses and government should use the social insurance number. It recommends that people not carry it in their wallets. A safety deposit box is a good place for it.

Don't give it to someone unless you actually need to. For example, if you're applying for EI, you must provide it, because that's what it's for. You hear a lot of examples of people being asked to give it for renting a house or for getting a card to rent a video at your local store. I guess we don't do that anymore. Those are not the reasons for which the number was created, so we advise Canadians to be cautious about using it in that way.

That information is readily available on the website.

•(1140)

The Chair: Okay. I appreciate that. That's helpful.

Are there any other members with questions?

Go ahead, Mr. Brison.

Hon. Scott Brison: How does the whole emerging issue of identity theft affect this decision to establish a registry then? I guess the expectation would have been that we were already doing this. People would have thought that we were already doing this. How does the issue of identity theft inform the decision to make these changes?

Mr. Peter Boyd: Sorry, what would people have thought we were already doing?

Hon. Scott Brison: To what extent does the issue of identity theft help inform the decision to make these changes?

Mr. Peter Boyd: It's one of a variety of considerations that we've taken into account. It is an initiative that's been discussed in the department for quite some time. More and more we recognize that the physical card is not required in order for us to do our business or for other government departments to do their business. So phasing it out, in that context, makes a lot of sense.

Identity theft is also a consideration. It's not the only one. But a department such as HRSDC is very attuned to the privacy of personal information, as my colleagues were just saying about the changes to the privacy framework for the department. Safeguarding that personal information is a prime concern. Anything we can do to reduce the opportunities for identity theft, the better. This is one of the reasons we encourage people not to use the card inappropriately. The more widely the number becomes available, the more likely that someone will be able to take advantage of it.

When you issue a card, people come to rely on it as a piece of identification, a document. We do not encourage the use of the card as an identity document. It has no security features on it—no picture of the holder, no fingerprint, no retinal scan.

Hon. Scott Brison: Is the change informed by a recognition of what's happening with smart phones, and in commerce? People in some countries now are not carrying credit cards or bank cards. Is that part of the process? We're de-carding, in general, and moving toward a digital format, whether it's commercially or for identification. Is that informing part of this?

Mr. Peter Boyd: It's certainly part of the context in which the decision was made. I wouldn't say it was a direct factor. But we are modernizing the way we deliver services. As we do that, we recognize that more and more of these transactions will be done online, electronically, using a smart phone, using a home computer. That reinforces our assessment that the physical card is not something that is required in order for us to deliver our services effectively and efficiently.

Hon. Scott Brison: What about the \$1,000 fine and the potential of imprisonment for a term of not more than one year? What was the rationale for the \$1,000 penalty? Why \$1,000?

• (1145)

Mr. Peter Boyd: That number was already in the act, so it is not a new provision. I don't know if a specific methodology was used to develop it. But they wanted to have something in the act to discourage inappropriate use and creation of cards. Recently, it was also added to the Criminal Code, making the creation and the collection of things such as a social insurance card a criminal offence.

Hon. Scott Brison: Thank you.

The Chair: Thank you, Mr. Brison.

Mr. Boyd, I want to thank you for being with us here today and giving us an overview of this division of the bill.

Mr. Peter Boyd: My pleasure. Thank you very much.

The Chair: Thank you.

We will now call forward officials from Parks Canada to discuss division 9.

I want to welcome you to the committee and encourage you to provide, if you can, an overview of the division for members. Then we'll proceed to questions from members.

Ms. Margaret Strysio (Director, Strategic Planning and Reporting, Parks Canada Agency): Good morning. My name is Margaret Strysio, and I'm responsible for strategic planning and

reporting at Parks Canada. I'm joined this morning by Jonah Mitchell, who is responsible for law enforcement.

Division 9 of the bill proposes changes in two areas for Parks Canada. The first relates to collaboration on environmental enforcement activities, and this is covered by clauses 315, 316, 322, and 323. Mr. Mitchell will take the committee through those clauses, and then I'll speak to the remaining clauses that deal with the streamlining of planning and reporting.

Mr. Jonah Mitchell (Assistant Director, Parks Canada Agency): For context, the enforcement activity of park wardens is limited to the agency mandate for national parks, national historic sites, and national marine conservation areas.

Clause 315 would allow for park wardens to assist other ministers to enforce their acts and regulations outside of parks and sites with the following constraints: the act or regulation must relate to the environment; the act or regulation must be listed in the schedule to the Parks Canada Agency Act; the location of the enforcement activity must be such that it is more convenient and efficient for park wardens to respond than other federal enforcement officers; there must be an agreement to provide these enforcement activities on behalf of the other minister; and park wardens must be designated and trained to enforce the other act.

Essentially the intent of the change is to allow for a faster and lower-cost response to environmental enforcement incidents, particularly in remote areas in the north where Environment Canada does not have an ongoing presence, but Parks Canada has a park warden nearby who could act on its behalf.

Clause 316 allows the Governor in Council to add acts and regulations to the schedule of the Parks Canada Agency Act for which park wardens could assist other bodies in enforcement activities.

Finally, clauses 322 and 323 restructure the schedules of the act to add part 3 and part 4 for the listing of the associated regulations.

Ms. Margaret Strysio: I'll deal first with clause 320, because clause 317 is consequential to it.

Clause 320 removes the requirement for Parks Canada Agency to prepare a corporate plan and annual report by repealing sections 33 and 34 of the Parks Canada Agency Act. As a consequence, clause 317 would remove the reference to the corporate plan in subsection 21(3).

These documents duplicate the information in the report on plans and priorities and the departmental performance report that Parks Canada must produce each year because of where it is placed on the schedule under the FAA. We will continue to do the departmental performance report and the report on plans and priorities each year, but the duplicated report will be removed.

Moving to clause 318, this amendment would extend the timeline for the preparation and tabling of a report on the overall state of our parks and sites from every two years to every five years. Changes to the overall state of our parks and sites, things like ecological integrity, commemorative integrity, take longer than two years in which to see an appreciable change. A five-year timeframe is much more appropriate and will allow for a more meaningful report and more analysis in terms of trends, etc.

Clause 319 would extend the timeline for the review and tabling of management plans for each national historic site from five years to at least every 10 years. Management plans are long-term strategic plans with a 10-year to 15-year time horizon. They set out the vision, key strategies, and long-term objectives for the place related, for example, to natural resource management, cultural resource management, visitation, and stakeholder relations. Ten years is a more appropriate timeframe and will allow us to focus on implementing the plan over that time, to work with our stakeholders in implementing the plan, and move towards those long-term strategic targets we've set out in the management plan.

This changed timeframe is reflected through an amendment to the Parks Canada Agency Act for historic sites.

Clause 324 includes the same changed timeframe for management plans in the Canada National Parks Act for national parks. Clause 325 makes the same change to the Canada National Marine Conservation Area Act for marine conservation areas.

Finally, clause 321 removes the requirement for an annual audit of Parks Canada financial statements and an annual review of its performance information in its annual report. This would be through repealing section 36 of the Parks Canada Agency Act. We would continue to report on our performance annually through the departmental performance report, and our financial statements would continue to be completed and made public via a link to the departmental performance report. There would no longer be the Auditor General's audit of the financial statements.

This item was already raised in division 1 of part 4 of the bill. A number of organizations are having the same types of changes made by the Office of the Auditor General, and I think that was discussed last night.

Thank you.

• (1150)

The Chair: Thank you very much for your opening remarks.

We'll begin with *M. Mai, s'il vous plaît.*

[Translation]

Mr. Hoang Mai: Thank you, Mr. Chair. I want to thank the witnesses for being with us today.

I and many others consider Parks Canada to be very important. It's part of our country, it represents the most important part of our heritage. Do the changes indicated here affect park hours of operation or access? From what I gather, park wardens will have to perform other duties, be it for Environment Canada or another institution. Will park access be affected?

[English]

Mr. Jonah Mitchell: Do you mean an impact in terms of the workload in particular?

[Translation]

Mr. Hoang Mai: I am referring more to access by the general public, those who want to visit the parks. If the warden has to work on something else for Environment Canada, does that mean people won't have access to the park?

[English]

Mr. Jonah Mitchell: No, it will not have an impact on the opening season or the seasons of our parks. This is solely for enforcement-related activities.

A good example would be in the Gaspé Peninsula, where there are a couple of migratory bird sanctuaries,

[Translation]

especially Rocher-Percé and Île-Bonaventure,

[English]

and Environment Canada's enforcement officers respond to those locations from Quebec City. We have a small number of park wardens who do enforcement in Forillon National Park. It is much closer in terms of travel distance for our wardens to have authorities to respond to enforcement incidents in those migratory bird sanctuaries on behalf of Environment Canada. That's probably the best example.

This doesn't have an impact on other parts of Parks Canada's operations, like the visitor services, the campgrounds, the—

[Translation]

Mr. Hoang Mai: So it has no impact on the hours of operation.

Mr. Jonah Mitchell: No.

Mr. Hoang Mai: Are the budget cuts the reason that Parks Canada staff have to replace or help Environment Canada's employees? A number of Environment Canada jobs were cut, as you know. Are the two situations related?

• (1155)

[English]

Mr. Jonah Mitchell: The intent is not to have any impact on the operations of Environment Canada, to my knowledge. This is only to provide for more efficient response times to enforcement incidents.

In terms of impacts on Environment Canada's operations, this was seen as a reduction in terms of costs that were associated with travel for Environment Canada.

[Translation]

Mr. Hoang Mai: So before the budget cuts, Environment Canada employees did that work. Everyone knows that 600-plus jobs were cut as a result of the budget. Is Parks Canada doing that job now since Environment Canada has fewer resources to deal with those problems?

[English]

Mr. Jonah Mitchell: If I understand the question, in terms of a reduction to the amount of the work that Environment Canada is responsible for, whether we are taking on work that is a reduction to them, no that's not the case, to the best of my knowledge. Their officers are centrally located, generally in urban centres, so this is purely a more efficient response time. We're not going to be replacing...and there's not a reduction in their authorities or their—

[Translation]

Mr. Hoang Mai: Could you confirm whether these changes require Parks Canada to prepare an annual report, or is that still your domain?

[English]

Mr. Jonah Mitchell: Is this in relation to enforcement or the reporting?

Mr. Hoang Mai: Reporting.

Ms. Margaret Strysio: In terms of our planning and reporting, we, like all departmental organizations, would still prepare a report on plans and priorities, which would be tabled in the House, and a departmental performance report each year, reporting back on how we've done relative to our plan. That would be tabled as well. Basically, we'd have the same accountability reporting as other departmental organizations.

[Translation]

Mr. Hoang Mai: We have concerns about the Auditor General not being able to perform audits. How is Parks Canada's accountability affected, given that the Auditor General no longer has to review your reports?

[English]

Ms. Margaret Strysio: We would still continue to report on our performance and our departmental performance report, as do other organizations. What would be different is that the Auditor General wouldn't come in and ask to see evidence that we had indeed achieved the performance that we were reporting. That was an anomaly for just three separate agencies created around the late 1990s, early 2000s. That requirement was there. There isn't that requirement for any other departmental organization or crown corporation, so it was felt that that level of oversight wasn't required. It's been in place for about 10 years, and everything has gone very well for these new organizations, including Parks Canada. It was felt not to be a requirement, but that we would continue to report on our performance every year, as other organizations do.

And it's the same thing for the financial statements; we would continue to do financial statements. They would be presented to our external audit committee, but they wouldn't be audited by the Office of the Auditor General, so we would be on the same footing as other departmental organizations.

The Chair: Thank you.

We'll go to Ms. McLeod, please.

Mrs. Cathy McLeod: Thank you, Mr. Chair.

Certainly I appreciated that very specific example. Having done work in remote locations, I can remember a health nurse for the federal government doing immunizations and having to drive four

hours to immunize one baby. It always seemed like such a terrible waste of time and resources. So I really appreciate this move, in terms of a little bit more flexibility with the role.

Just to clarify, this would only relate to federal statutes and enforcement, or have there been conversations in terms of some opportunities for provincial collaborations?

Mr. Jonah Mitchell: At this point, this is seen as federal, in designating some of our officers under acts administered by Environment Canada.

Mrs. Cathy McLeod: Thank you.

The Chair: Thank you, Ms. McLeod.

Mr. Brison, go ahead, please.

Hon. Scott Brison: On the decision to change the audit approach, were they initiated by the Auditor General as part of his general decision to reduce audit functions of agencies—his office's approach to Parks Canada?

• (1200)

Ms. Margaret Strysio: In fact in this case we had raised it with the Office of the Auditor General, which we deal with on an ongoing basis, and they had indicated to us that they were also looking at the same thing, from their side. So it was kind of a mutual discussion on that.

Hon. Scott Brison: I guess we'll have the Auditor General before the committee and have an opportunity to discuss that. I think that for a lot of us, the idea of reducing in any way the audit function of government—and I speak as a former Minister of Public Works.... On an ongoing basis, constructive audit functions are very important, whether they're from the Auditor General or Comptroller General. It's something we're watching closely. We're interested in discussing how in this age, particularly during a period of expenditure review, reducing audit function....

Is it a feeling that perhaps the audit function had become too onerous, that it wasn't really from a cost-benefit analysis, that it wasn't really benefiting, and that perhaps the audit function had gone too far? Is that part of the consideration?

Ms. Margaret Strysio: I don't believe so. Because no other departmental organizations have a requirement for an audit of their financial statements on an individual basis—they're all audited through kind of the rolled-up Government of Canada accounts—individually they don't undergo an audit of their financial statements. So for the few organizations that through their own enabling legislation had this requirement added, it was felt that there was no need for these particular organizations to be singled out with a different requirement from the others, in terms of risk. So I think the Auditor General was looking at where the risks are and auditing it on a more risk-based approach.

Hon. Scott Brison: Thank you.

The Chair: Thank you, Mr. Brison.

Monsieur Mai.

[Translation]

Mr. Hoang Mai: I want to stay on the same topic. You said the reports would be audited by an external committee. Could you elaborate on that?

[English]

Ms. Margaret Strysio: Just to clarify that, all departments have an audit committee that consists of external members. That committee reviews all matters and all internal audits that are conducted by the organization. They also review our performance report and would review our financial statements.

But that's certainly not an audit that would be taking place; it's just that it does get reviewed by our audit committee. The audit committee, in its terms of reference, does have the authority to request an external audit to be conducted on the organization. They do have that authority, so there is a bit of oversight there.

Mr. Hoang Mai: If there were to be an external audit, who would do the auditing?

Ms. Margaret Strysio: Someone would need to be engaged to do that work.

Mr. Hoang Mai: So it would be a private firm—

Ms. Margaret Strysio: That's right.

Mr. Hoang Mai:—rather than having the Auditor General do the verification?

Ms. Margaret Strysio: That's right.

Mr. Hoang Mai: Right now, is it the case that it's a private external company that does the auditing? Or is it that we have the Auditor General doing the job, so you don't need to have someone else do the job?

Ms. Margaret Strysio: The Auditor General has always done an annual audit. So going forward, there would no longer be an audit of our financial statements. I don't know of the intention to have the financial statements audited on an individual basis going forward, but they do have the authority to do so if they felt there was a need. Otherwise, our financial statements would just be reviewed in the rolled-up overall public accounts done by the Auditor General.

Mr. Hoang Mai: Do you have an idea of what the cost would be in order to have the external auditing, if any?

Ms. Margaret Strysio: Yes, I can give you just an estimate. Each year the Auditor General estimates how many hours it will take for them to conduct an audit. For the financial statement audit in their audit plan this year, they had estimated 2,700 hours. For the performance information review, they had estimated 1,000 hours.

So it's quite a bit of time. I can't figure out what that would be, but I guess we could do a rough estimate.

• (1205)

Mr. Hoang Mai: So if there were external auditing, we'd consider about 1,000 plus 20 hours, specifically just to replace what the Auditor General is doing in terms of hours...?

Ms. Margaret Strysio: About 3,700 hours.

Mr. Hoang Mai: It would be 3,700? Do you have any idea of how much that would cost?

Ms. Margaret Strysio: They do give a cost. I think that came out for them—

Mr. Hoang Mai: For them?

Ms. Margaret Strysio: They estimated \$590,000.

Mr. Hoang Mai: Do you consider that it would be more expensive to do externally?

Ms. Margaret Strysio: I would suppose so.

Mr. Hoang Mai: So in terms of cost savings, do you know how much...? So it's about 3,700 hours per year in terms of the Auditor General doing the work for an annual report...?

Ms. Margaret Strysio: Yes.

Mr. Hoang Mai: Thank you very much.

The Chair: Thank you.

I want to thank our officials from Parks Canada for being here today and for giving an overview of that division. We appreciate your time with us.

Colleagues, we did divisions 10 and 11 last night, so we will be moving to division 12, on the Integrated Cross-Border Law Enforcement Operations Act.

With us we have Joe Oliver—the real Joe Oliver.

Voices: Oh, oh!

The Chair: To address this, we have Mr. Oliver from the RCMP.

Mr. Oliver, if you want to give an overview of this division, then we'll have questions from members.

Mr. Stephen Bolton (Director, Border Law Enforcement Strategies Division, Public Safety Canada): Actually, I'm Stephen Bolton, from the Department of Public Safety.

The Chair: Okay.

Mr. Stephen Bolton: My colleague from the RCMP, Joe Oliver, is in security, and he's on his way up.

The Chair: Welcome to the committee, Mr. Bolton.

Please give us an overview of this division.

Mr. Stephen Bolton: Of course.

Joe Oliver of the RCMP will be joining us momentarily, when he gets through security.

I'm here to speak to the Shiprider operation part of the BIA. Division 12 of the BIA is required to implement regular Shiprider operations between Canada and the United States. Shiprider enables specially trained and designated Canadian and U.S. law enforcement officers to conduct seamless, continuous law enforcement operations across the border on shared waters. This new and innovative cooperative policing model not only leverages law enforcement resources more efficiently, but has proven to be a more effective method of detecting and interdicting cross-border criminality.

Just to give you a sense of it, the idea is that there would be police law enforcement vessels in shared waters on the Canada-U.S. border, and they would be jointly crewed by Canadian and U.S. law enforcement. It's very important to note that all Shiprider operations will be conducted under the direction and control of law enforcement officers of the host country, so in Canada under the control and direction of Canadian law enforcement, and in Canada it would be conducted in accordance with Canadian laws, policies, and procedures, and the same on the U.S. side.

Looking at some of the key elements of this legislation, the act would define the scope of operations for Shiprider; specify the authorities being granted to designated officers; outline the role of the Canadian central authority, which would be responsible for managing the day-to-day operations; specify the appointment process, including the mandatory criteria for appointment; outline how the seizure of goods and detention of persons are to be managed in Canada; and establish a civilian oversight mechanism for the conduct of designated officers.

Legislation seeking to implement Shiprider has twice been introduced to Parliament, the latest being former Bill S-13, which died on the order paper when Parliament was dissolved in March 2011.

Regularizing Shiprider operations will permit the government to realize one of the key law enforcement commitments in the Beyond the Border action plan between Canada and the United States. Importantly, it would also allow Canada to ratify the Shiprider framework agreement signed by the public safety minister and the homeland secretary back in May 2009. With this legislation in place, it is hoped that regular Shiprider operations could be implemented this summer.

This is the mounted cavalry riding in. This is my colleague, Joe Oliver, director general, border integrity, RCMP.

• (1210)

The Chair: Welcome, Mr. Oliver. If you have any opening remarks on this division, we'd certainly welcome them.

Chief Superintendent Joe Oliver (Director General, Border Integrity, Federal and International Operations, Department of Public Safety): I have no opening remarks, but I look forward to questions, Mr. Chair.

Thank you.

The Chair: At this point, we'll start members' questions *avec monsieur Caron, s'il vous plaît*.

[Translation]

Mr. Guy Caron: That measure was not announced in the March 29 budget, was it?

[English]

C/Supt Joe Oliver: No. It's my understanding there were no funding requirements attached to the budget.

[Translation]

Mr. Guy Caron: That brings me to my next question.

For such operations to be included in this section, what would the costs be and how would they be broken down? Are any additional costs expected?

[English]

Mr. Stephen Bolton: There is no funding request in the legislation. What's intended here is legislation that would frame and govern Shiprider operations in the future.

[Translation]

Mr. Guy Caron: And that would fall within the RCMP's jurisdiction.

[English]

Mr. Stephen Bolton: That is correct.

[Translation]

Mr. Guy Caron: If there aren't any budget consequences, do you know why a provision like this would be included in the budget implementation bill?

[English]

Mr. Stephen Bolton: That's a decision of the government, and we cannot speak to that.

[Translation]

Mr. Guy Caron: I see. I am done for the moment.

The Chair: You're done?

Mr. Guy Caron: Yes, thank you.

[English]

The Chair: Okay.

Mr. Brison on this.

Hon. Scott Brison: Thank you very much for joining us today.

During the Senate study on Bill S-13, some of the senators wanted to know the cost of this legislative measure. They were told that the RCMP would be able to absorb the cost of the requirements of the implementation, but we've already had the Auditor General warn that the RCMP can't absorb further costs for additional requirements without compromising operations. Given that concern, can you give us some specific figures of what it will cost to implement these measures? I think we all share the concern that the RCMP's resources are being stretched further, given the constraints they're already under.

C/Supt Joe Oliver: I think it's important to recognize that today the RCMP conducts on-water operations in shared waters with the United States. Because law enforcement in Canada and the U.S. respect jurisdiction, our ability to pursue criminals across the border is limited by the fact that we are empowered under Canadian law and not U.S. law. As a consequence, there have been instances when suspect vessels we have tried to intercept have fled into U.S. territory and evaded apprehension.

Even with our existing resources today, this bill will give us the legislative authority to jointly crew vessels with specially trained officers from Canada and the U.S., so that the border will not be a barrier to current cross-border law enforcement operations. Even in the absence of dedicated funding for this type of activity, we currently conduct operations, and those operations would be enhanced by this increased operational flexibility. We will be operating with our American counterparts across the border. In fact, we would leverage each other's finite resources to bring better effect to cross-border crime-fighting, both in Canada and the U.S.

Hon. Scott Brison: To what extent would your activities be related to drug interdiction? Is that a significant part of what you're doing?

• (1215)

C/Supt Joe Oliver: Yes. On an annual basis, the integrated border enforcement teams conduct a Canada and United States threat assessment. What we identified was that cross-border crime is a two-way problem. Contraband flows in both directions. For example, marijuana and ecstasy flow from Canada to the United States, cocaine from the U.S. into Canada. People and currency are smuggled in both directions. Contraband cigarettes and firearms come from the U.S. to Canada.

In the deployment of our operations, we look at these threat assessments to identify where are the greatest threats, and where we would deploy our resources to bring the greatest effect to our operations. There are high-risk areas along the Canada-U.S. border that would certainly benefit from a tool such as this legislative authority. It would be especially helpful in areas where the border is only a short distance between the two nations and where smugglers can quickly cross the border and deliver contraband from one side to the other.

Hon. Scott Brison: Is there a significant delta of resources between the U.S. Coast Guard and the RCMP?

C/Supt Joe Oliver: The U.S. Coast Guard is a maritime law enforcement entity. It has a multi-mission that also includes search and rescue. They have a very significant presence. The RCMP has a much smaller presence. But the beauty of the construct we've developed here is that it's completely reciprocal and the commissioner and the commandant decide how these operations will be deployed. Essentially, when we deploy these operations, there are equal numbers of Canadian and U.S. vessels, which gives us the operational flexibility to operate back and forth across the border.

Hon. Scott Brison: That would allay any fears of our effectively outsourcing the monitoring to a better-resourced agency in the U.S. You're saying that it's fairly symmetrical.

C/Supt Joe Oliver: When we deploy these operations, they are based on threat and need. When we do deploy them, there is an equal number of officers and they are cross-designated. The U.S. cannot decide on its own to cross-designate officers to operate in Canada. It's under the authority of the commissioner to grant U.S. officers that cross-designation authority, as it is set out in the framework agreement and in the legislation.

The Chair: Thank you.

Hon. Scott Brison: Thank you.

The Chair: I want to clarify a couple of points. First, I want to know about the relationship of CBSA to the framework. My understanding is they're not involved in the framework agreement. Can one or both of you clarify the relationship with CBSA?

Mr. Stephen Bolton: CBSA is not involved in this. They're not involved in the framework agreement, nor in the Shiprider framework agreement. CBSA's mandate is primarily at the ports of entry. Given the nature of the waterways, it's more between the ports of entry. So the mandate falls more to the RCMP and to provincial police forces.

The Chair: Okay.

Do you want to comment on that, Mr. Oliver?

C/Supt Joe Oliver: I would just add that the framework agreement specifies from a Canadian perspective that members of the RCMP and our police officers are empowered under provincial legislation. There is no other federal law enforcement. As a consequence, CBSA would not fall under the framework agreement.

The Chair: Okay.

Is there any consideration being given to the land component—adding a land component, or working on a land component agreement? Is there any need to do so in this area?

C/Supt Joe Oliver: Perhaps I could speak to that.

I think what we've done with the Shiprider framework agreement... It was one of the first times we tried this innovative law enforcement practice along the Canada-U.S. border, so we were mindful of concerns that may have been raised around sovereignty and so forth. To mitigate that, and to test the concept, the first deployment of this was in the maritime environment, which is a very clearly defined boundary. We limited it to the U.S. Coast Guard and the RCMP in order to....

We're talking about the integration of operational cultures, operational standard procedures, training and so forth. It was tested, it was evaluated, it was improved, and then it was tested and evaluated to the point that both governments saw value in this as an innovative law enforcement practice that would increase the crime-fighting capability of both Canadian and U.S. law enforcement entities.

Now, based on the lessons learned from Shiprider, there is a commitment in the beyond the border action plan to follow how Shiprider evolved and bring it to the land environment and test it there as well. In the Beyond the Border action plan a commitment is made by the governments of Canada and the U.S. in terms of testing this concept in the land environment.

• (1220)

The Chair: I think that answers a previous question with respect to in general the relationship with the budget. You mentioned the Beyond the Border action plan, but the action plan on perimeter security and economic competitiveness.... I mean, this is very much related. It's very much under the umbrella of that whole action plan. Or that's my understanding. Is that correct?

C/Supt Joe Oliver: Precisely.

The action plan, under the elements of cross-border law enforcement, includes two very key components. One is the regularization of Shiprider. One of the commitments the governments of Canada and the U.S. have made is with regard to ratifying Shiprider and deploying these operations. The second element is building on the lessons learned from Shiprider and the integrated border enforcement teams to test this concept in the land environment.

The Chair: Okay. I appreciate that. Thank you very much. Those are all the questions I have.

Mr. Marston, please.

Mr. Wayne Marston: Thank you, Mr. Chair.

Welcome.

We visited Windsor, as a committee, and we had discussions with Canada Border Services Agency about chases, at times, that occur across the bridge.

Just so I understand clearly, the things that are being considered in the future would be a joint force that would have the capacity to go past the gates of the bridge, for instance, into Canada if they were in pursuit?

C/Supt Joe Oliver: I don't think the concept is that clean.

I think what we have to look at, particularly with respect to Shiprider... We know what it does; we've deployed it and we know how it works.

In Shiprider, it's a planned operation, in most cases, where officers from both countries are cross-designated and they are co-crewed. A key element of the Shiprider framework agreement in the legislation itself is that this has to be an integrated maritime law enforcement operation on a jointly crewed vessel, with cross-designated officers who have received special training. It is very much built on the fact that sovereignty still applies.

When in Canada, Canadian laws still apply; it's just that the U.S. officers are now acting in Canada under the direction of Canadian officers, and they're essentially backup to the Canadian officers. If there's a situation where Canadian officers are in U.S. territory, they're actually acting as U.S. officers, supporting the U.S. lead law enforcement agency.

Mr. Wayne Marston: I would suspect that where it's pre-planned, if they came to the shoreline, there would already be other police force personnel there from the host country.

C/Supt Joe Oliver: Correct. And that is why, if you look at the legislation, it confines us to the maritime environment. The framework agreement specifies that there are only rare instances when a pursuit can be continued on land.

That might be a situation where surveillance commenced in the United States, the vessel was followed into Canadian waters, it hit the shore, and the suspect fled. Then the Shiprider officers would have the authority, in those very rare instances, to continue the pursuit on land, but they must coordinate with the on-land or Canadian resources.

Now, based on the construct that we have, where you have three RCMP officers and one U.S. Coast Guard officer, the decision may

be made by the lead Canadian officer that the U.S. Coast Guard officer stays with the vessel and the RCMP officers, who have full authority in Canada, would continue with the foot chase.

Those are things that are being worked out in the important part, which is the training, where these scenarios are actually practised time and time again for these officers so that it becomes ingrained in how they do business when they work together.

Mr. Wayne Marston: You spoke about surveillance of a suspect. Quite often that is aerial surveillance. At least from my understanding, the U.S. side of the border has a lot more sophisticated equipment available, both manned and unmanned. Some people have some concerns about privacy rights here in Canada relative to that.

What would you expect the implications of the proposed provisions of this act to be for the use of aerial support?

• (1225)

C/Supt Joe Oliver: The framework agreement provides for the opportunity for air officers or air observers to be cross-designated. I think the important element to understand about this aerial support—and it is only support, since they are not involved in direct law enforcement—is that they essentially become the eye in the sky for the vessels that are on the water.

If you look at certain areas along the border, there are a number of small islands where suspects could easily hide and fall out of the line of sight of a vessel working on the water. Having aerial support would provide the opportunity for the air observer to direct officers to wherever the suspect has fled.

Another important element is that any operation conducted in Canada must be under the direction of a Canadian officer and consistent with a constitutional framework in Canada as well as with the legal requirements in Canada.

The Chair: You have thirty seconds.

Mr. Wayne Marston: A natural follow-up question for me would be whether you could envision a case in which a drone was used to fly over Canadian land.

C/Supt Joe Oliver: At this point we know that customs and border protection has a drone along the Canada-U.S. border. At this point we haven't worked that type of equipment or technology into our concept of operations. However, for the future, we are always looking to leverage technology, as we are on the Canadian side exploiting technology in order to enhance the ability of our finite resources to achieve the best outcome possible. I think we still have to study what the future might bring, but at this point that type of concept is not worked into our concept of operations.

Mr. Wayne Marston: I'd be a little concerned about considering sovereignty issues.

The Chair: Thank you.

Mr. Mai, go ahead, please.

Mr. Hoang Mai: Mr. Oliver, you mentioned that there's a lot of contraband and commerce in marijuana from Canada going to the U.S. Is that mostly through water crossings? If you look at the proportion of water versus land or air, do you have an idea?

C/Supt Joe Oliver: I don't think we've broken it down into those very fine extremes. What I can say is that smugglers are very quick to respond to operational or law enforcement posture. Sometimes because of our processes and procedures we're not so quick to respond, so it's easy for smugglers to modify. They may smuggle by land today and they may smuggle by water tomorrow. They are even using aircraft—general aviation or smaller aircraft.

I think the benefit of a tool like Shiprider is that it gives us that flexibility that removes the border as a barrier and allows us to have greater operational flexibility in terms of how we deliver law enforcement services along the Canada-U.S. border.

Mr. Hoang Mai: Coming back to marijuana, do you have an idea of the quantity or the amount of smuggling being done?

C/Supt Joe Oliver: That is very difficult to estimate, because unfortunately organized crime doesn't file annual returns as to what they've smuggled. We do keep statistics on our interceptions and on the increase and decrease of seizures. I don't have a number for overall volumes, but when you compare to the overall seizures that are directed towards the United States, the proportion of marijuana being smuggled into the United States is a fraction of what is produced domestically in the U.S. or smuggled across their southern border.

Mr. Hoang Mai: Do you have any idea of what fraction that is?

C/Supt Joe Oliver: I don't have a number. I would have to go back to our threat documents to look at that.

Mr. Hoang Mai: Maybe we'll have to send the Auditor General on that.

Thank you.

The Chair: I have one more questioner. I'm not sure why the bells are ringing. We're going to check that.

Mr. Caron.

[*Translation*]

Mr. Guy Caron: I want to pick up on what I was asking you about earlier.

The budget implementation bill will establish the new Framework Agreement on Integrated Cross-Border Maritime Law Enforcement Operations.

You told us there are no financial implications. This is the Standing Committee on Finance, but I appreciate this was the government's decision. Nevertheless, since this is such a key part of public safety, can you tell me whether you appeared before the public safety committee to discuss the Shiprider program?

• (1230)

[*English*]

C/Supt Joe Oliver: In terms of cost estimates, the answer is no.

[*Translation*]

Mr. Guy Caron: No, I mean in terms of how the program works.

[*English*]

C/Supt Joe Oliver: I believe the Senate committee has studied this on two occasions: in relation to Bill S-13, and most recently in relation to the pre-study they are doing for Bill C-38.

[*Translation*]

Mr. Guy Caron: To your knowledge, the House of Commons public safety committee has not studied it?

[*English*]

C/Supt Joe Oliver: I do not recall any—at least I haven't been called to testify.

[*Translation*]

Mr. Guy Caron: Thank you.

[*English*]

The Chair: I thank our witnesses for being here to give us an overview and respond to our questions on this section of the bill.

Colleagues, we will break and see you back here at 3:30 p.m.

Thank you.

The meeting is adjourned.

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