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**EVIDENCE**

**Wednesday, May 7, 2014**

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**Chair**

**Mr. David Sweet**



## Standing Committee on Industry, Science and Technology

Wednesday, May 7, 2014

• (1630)

[English]

**The Chair (Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC)):** Good afternoon, ladies and gentlemen, *bonjour à tous*. Welcome to the 21st meeting of the Standing Committee on Industry, Science, and Technology. With our delayed meeting today we'll end one hour from now and we'll also have another round of bells, I believe, right at the end of this.

Before us we have from the Atlantic Canada Opportunities Agency, Denise Frenette, vice-president, finance and corporate services.

I will read into the record a little bit of what our orders of the day are pursuant to Standing Order 108(2), study of subject matter of clauses 175 to 192, the Atlantic Canada Opportunities Agency, an Enterprise Cape Breton Corporation, etc.

So on that note, Ms. Frenette, we'll let you go ahead.

Mr. Cuzner.

Sorry, Madam.

**Mr. Rodger Cuzner (Cape Breton—Canso, Lib.):** Sorry, on a quick point of order, how do you see this evolving, Mr. Chair, as we were supposed to finish at 4:30?

**The Chair:** I had advised all of the members of the committee when we left that due to the votes we would come back and return for one hour.

**Mr. Rodger Cuzner:** So we'll just start the hour here?

**The Chair:** Yes.

Mme Frenette, go ahead with your opening remarks.

[Translation]

**Ms. Denise Frenette (Vice-President, Finance and Corporate Services, Atlantic Canada Opportunities Agency):** Good afternoon. My name is Denise Frenette. I am the Vice-President of Finance and Corporate Services for the Atlantic Canada Opportunities Agency, or ACOA.

ACOA was created in 1987 with a mandate to enhance the growth of earned incomes and employment opportunities in Atlantic Canada.

[English]

We carry out our mandate by helping businesses to become more competitive, innovative, and productive; by working with diverse

communities to develop and diversify local economies; and by being a champion for Atlantic Canada.

[Translation]

Today, I am here to provide you with a technical briefing on the legislative changes ACOA is proposing through the 2014 budget implementation bill. More specifically, I will talk to you about divisions 9 and 10 of part 6 of the bill. I will be happy to answer any questions you may have following this briefing.

[English]

I'll begin with division 9 of section 6 of the budget implementation act, which proposes two initiatives that would allow ACOA to achieve efficiencies. Those initiatives are the elimination of the ACOA board and the agency's five-year report to Parliament. I will guide you through the legislation from clause 175 to 178.

Clause 175 provides for the repeal of the definition, "Board", in section 3 of the Atlantic Canada Opportunities Agency Act as the bill proposes to dissolve the board, pursuant to subsection 178(1).

[Translation]

Clause 176 provides for the repeal of sections 18 and 19 of the Atlantic Canada Opportunities Agency Act. These sections establish and describe the board's operations, such as its quorum and frequency of meetings.

Clause 177 provides for the repeal of subsections 21(2) and 21(2.1) of the Atlantic Canada Opportunities Agency Act. These subsections required ACOA to table a comprehensive report before Parliament every five years, providing an evaluation of all activities in which the agency is involved. This report is now considered redundant in light of the current reporting framework, which includes annual departmental reports.

[English]

Clause 178 terminates the appointment of board members to the Atlantic Canada Opportunities Agency board. Furthermore, subsection 178(2) provides that the members of the board are not entitled to claim compensation as a result of early termination of appointment.

Mr. Chair, I can stop and entertain questions on division 9 or continue on to division 10.

**The Chair:** I think it would be the preference that you complete all your remarks, then we will go with our regular rounds of questions.

**Ms. Denise Frenette:** Thank you.

I will now go through the division of the budget implementation act that relates to the dissolution of the Enterprise Cape Breton Corporation. ECBC is a federal crown corporation responsible for economic development throughout Cape Breton Island and a portion of mainland Nova Scotia in and around the town of Mulgrave. In addition to its own programs, ECBC is responsible for the delivery of ACOA programs and certain obligations of the former Cape Breton Development Corporation, DEVCO.

Division 10 provides for the dissolution of ECBC and authorizes the transfer of assets and obligations to either ACOA or Public Works and Government Services Canada. ECBC's economic development activities and associated budgets would transfer to ACOA, which would assume sole responsibility for the delivery of economic activities in Cape Breton, while ECBC's real property holdings and obligations related to DEVCO would transfer to Public Works and Government Services Canada.

I will guide you through the legislation from clause 179 to clause 192. Clause 179 provides definitions for this division. Clause 180 dissolves the Enterprise Cape Breton Corporation.

Clause 181.(1) provides for the transfer of assets and obligations of ECBC and its subsidiaries to either the Atlantic Canada Opportunities Agency or to the Department of Public Works and Government Services.

Subclauses 181.(1) (a) and 181.(1) (b) provide for all ECBC's assets and obligations, with the exception of real property holdings, to be transferred to ACOA. These assets and obligations include ECBC's equity portfolio, loan portfolio, and economic development programming.

Under subclauses 181.(1)(c) and (d), ECBC's real property holdings and any outstanding obligations to the former employees of the Cape Breton Development Corporation would be transferred to PWGSC. The obligations to DEVCO employees include pensions and other benefits.

•(1635)

[Translation]

Clause 181.(2) provides for the transfer to PWGSC of any unexpended ECBC appropriation, in other words, approved funding, relating to the real property and obligations that would be acquired by PWGSC under this legislation.

Similar to clause 181.(2), clause 181.(3) provides for the transfer of the remaining portion of the unexpended ECBC appropriation, so approved funding, to ACOA.

[English]

Clause 182.(1) provides that ECBC employees whose functions are associated with the assets and obligations being transferred to ACOA would be deemed appointed under the Public Service Employment Act to positions in ACOA. These employees would be part of the core public administration.

Clause 182.(2), similar to subsection 182.(1), provides that employees whose functions are associated with the real property or DEVCO obligations being transferred to PWGSC would be deemed appointed under the Public Service Employment Act to

positions in PWGSC. These employees would be part of the core public administration.

Clause 182.(3) provides that employees being appointed under subclauses 182.(1) and 182.(2) would retain the rate of pay they were receiving as employees of ECBC, and would carry over unused vacation and sick leave credits accumulated while in their former positions. The clause further provides that employees' accumulated years of service would be used in the calculation of vacation leave provided in their new positions.

No other entitlement would be carried forward, and the collective bargaining agreements or other employment terms and conditions associated with the employees' new position would apply to the employees in all other respects.

[Translation]

Clause 183 provides for the termination of part-time ECBC board members and that of the CEO. Furthermore, clause 183.(2) provides that, except for the CEO, members of the board of directors would not be entitled to compensation on termination.

Turning to clause 184 now. Normally the transfer of assets from a crown corporation would need to comply with rules of the Financial Administration Act. This clause confirms that requirements under this act relating to the transfer of the assets of a crown corporation do not apply in this case, because it is being done by operation of law.

[English]

Clause 185 empowers the minister to carry out whatever is required to close out the corporation's affairs after dissolution.

Clause 186 provides for the transfer to the federal crown of any legal action pending against ECBC or its subsidiaries.

Clause 187 amends the Atlantic Canada Opportunities Agency Act to, among other things, confer on ACOA the authority necessary for the administration, management, control, and disposal of the assets and obligations transferred to the Agency.

[Translation]

Clauses 188 to 191 are consequential amendments to other acts, required due to the elimination of ECBC, as they make reference to the corporation.

Clause 192 repeals the Enterprise Cape Breton Corporation Act.

Mr. Chair, this concludes my presentation to your committee. I would be happy to answer any questions the committee members may have.

**The Chair:** Thank you, Ms. Frenette.

[English]

We will have five minutes each, that's all, so we'll go first to the Conservative side, Mr. Braid, for five minutes.

•(1640)

**Mr. Peter Braid (Kitchener—Waterloo, CPC):** Thank you, Madame Frenette, for being here this afternoon and providing us with your opening remarks and presentation.

Could you describe, in two sentences or less, the mandate of the Atlantic Canada Opportunities Agency and the mandate of ECBC?

**Ms. Denise Frenette:** The mandates of ACOA and ECBC are very similar in that they're for the economic development of the region and they work with SMEs and communities to develop the Atlantic region and in the case of Enterprise Cape Breton, the region of Cape Breton.

**Mr. Peter Braid:** With the merging of these two organizations, the folding in of ECBC to ACOA, will that mandate change on the ground?

**Ms. Denise Frenette:** No, it will have the same objective: to further the economic development of the Cape Breton region. That will be the focus. The level and the quality of service should remain the same.

**Mr. Peter Braid:** That's very good.

Could you describe the rationale behind the merging of these two government agencies?

**Ms. Denise Frenette:** The government is proposing to have one federal organization providing economic development for both Cape Breton and the whole of the Atlantic region. It's being done at a time when the active mine remediation is winding down, so there is an opportunity to align the delivery of economic development in Atlantic Canada.

**Mr. Peter Braid:** Thank you.

What timeframe will apply to the bringing together of these two organizations?

**Ms. Denise Frenette:** ECBC will cease to exist and the division of employees will occur on royal assent. Employees delivering economic development will come over to ACOA and those responsible for real property and the former obligations of DEVCO will be deemed employees of Public Works so the transfer will be immediate. That being said, it will be very seamless in that employees residing in Sydney will not move. The next day they will become employees of our organization.

In terms of economic development, the employees of ECBC have been delivering the ACOA program for a number years so they are familiar with our programs. They will continue to deliver our programs. Economic development budgets associated with ECBC will be transferred to ACOA and rolled into ACOA programming.

**Mr. Peter Braid:** Thank you.

In a previous life, I worked in the private sector for a large organization that merged with another large organization. One of the most critically important things that we did, as part of that process, was pay attention to the importance of communications, both internal and external communications.

Could you touch on what the communication plans being developed may be like, both internally for employees of the two agencies and externally for stakeholders?

**Ms. Denise Frenette:** From that perspective, we certainly appreciate the importance of communication on several fronts, as you mentioned, both internal and external to stakeholders. We have a joint committee of ECBC, Public Works, and ACOA working on the

transition. We have started to work on what the communication approach will be when the bill receives royal assent.

**Mr. Peter Braid:** All right.

Thank you very much.

[*Translation*]

**The Chair:** Mr. Côté's turn for five minutes.

**Mr. Raymond Côté (Beauport—Limoulu, NDP):** Thank you, Mr. Chair.

Thank you for being here, Ms. Frenette.

Obviously, I am not happy about the fact that we have only an hour to study a portion of the omnibus budget implementation bill, at the request of the Standing Committee on Finance, or that we are not authorized to propose a single amendment. That makes our efforts today more or less futile.

In your presentation, when you talked about clause 184—

• (1645)

[*English*]

**Mr. Mark Warawa (Langley, CPC):** Chair, the comments made around this table are to be factual, honest, and truthful. To say that we could only meet for one hour, when in fact it was members of the NDP who were delaying our getting back here.... We could have stayed here longer, if the NDP had shown respect in Parliament.

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

It's a point of debate, so we'll go back to Mr. Côté and we'll start the clock.

[*Translation*]

**Mr. Raymond Côté:** Precisely. Thank you, Mr. Chair.

My colleague—

**The Chair:** Sorry, Mr. Côté.

[*English*]

We have another point of order.

**Mr. Peter Braid:** It's a point of order and a point of clarification. We had intended all along to only meet today for an hour, and that's exactly what we're doing.

Thank you.

**The Chair:** Are you looking to speak on the same point, Mr. Masse?

**Mr. Brian Masse (Windsor West, NDP):** Yes.

If we want to meet longer, we can do that. If you would like to meet longer, we can meet longer. But your own member just suggested that our time was constrained by House of Commons business, which is not true. We have complete control of the committee and with consent can meet as long as we'd like.

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

I'll hear Madam Bateman now.

No? Okay, we'll hear Mr. Warawa.

**Mr. Mark Warawa:** Mr. Chair, this committee meets from 3:30 p.m. to 5:30—we have slotted in that time in each of our schedules and we made that commitment—every Monday and Wednesday. We decided that there was consensus to meet today from 3:30 p.m. to 4:30.

We could have met until 5:30. We have another 45 minutes until it's 5:30, so if we had not had the delaying tactics from the NDP in Parliament, we could have met for much longer. If the committee had suggested we needed to meet longer, I would have been willing and I'm sure my colleagues on this side would have been willing to meet longer and still end at 5:30.

**The Chair:** This is really gravitating into a debate, and we're going to need to make a ruling shortly.

I'll hear Mr. Morin on the same point.

[*Translation*]

**Mr. Dany Morin (Chicoutimi—Le Fjord, NDP):** Yes, exactly. Thank you, Mr. Chair.

I would like to remind my honourable colleague across the way that it was his own government that forced us to vote on the matter. Had it not done that, the committee could have met at its normally scheduled time.

I think everyone here planned to meet during the committee's usual time slot until the Conservative government decided to force a vote on the matter today. So I think it's rather intellectually dishonest to blame us for the delay. The NDP were not the ones who asked for a vote a few minutes ago.

[*English*]

**The Chair:** I think we have exhausted that point.

[*Translation*]

Mr. Côté, please continue.

**Mr. Raymond Côté:** Thank you, Mr. Chair.

Ms. Frenette, with respect to clause 184, you said in your presentation, and I quote: "Normally the transfer of assets from a crown corporation would need to comply with rules of the Financial Administration Act."

Why do those rules not apply to the dissolution of the ECBC, under clause 184 of the bill?

**Ms. Denise Frenette:** Clause 184 was created to facilitate the transaction. In order for a crown corporation to transfer assets, an order in council is needed. This clause will making the transfer easier. Once the bill receives royal assent, the assets will automatically be transferred, without the need for an order in council.

**Mr. Raymond Côté:** So it provides a shortcut allowing the government to skip steps and fix things it doesn't like quickly.

Bill C-31 does away with the Atlantic Canada Opportunities Board, made up of representatives from each of the Atlantic provinces.

How do you plan to fill the hole that the board's elimination will leave? Can you give us any assurance that ACOA will have genuine regional representation?

• (1650)

**Ms. Denise Frenette:** To answer that, I would have to go back to the creation of the advisory board. When the agency was created in 1987, it really needed a systematic approach to seek out feedback from people outside the public service. Things have changed since then. Now, we regularly organize consultations that are a bit like round tables. We hold meetings with all the stakeholders, be they senior executives at the agency or the minister. We have a lot of other mechanisms in place to obtain community feedback on various issues. And that really gives us a broader perspective than we can get through the advisory board.

I would also like to point out that the agency is quite decentralized and has a strong presence in the communities. Our consultation mechanisms are quite extensive.

Lastly, I would say that the agency has really matured from the time it was created, in terms of its ability to develop policies and carry out research internally.

**Mr. Raymond Côté:** Still, the board served as a watchdog, often criticizing blatant patronage appointments. Now there won't be any such safeguard in place.

Appointments that come to mind are those of people like Kevin MacAdam, a former provincial Conservative minister under Premier Pat Binns. Patrick Dorsey and Kent Estabrooks lost their ability to hire staff following Mr. MacAdam's appointment.

No safeguards whatsoever will remain. What assurance do we have that there won't be any favouritism, now that no one is performing the watchdog function the board used to?

[*English*]

**The Chair:** I'm sorry, that's all the time we have. We're actually over time now. You may be able to respond to that in somebody else's question.

If I can get the consent of the committee.... Because of the delay, Mr. Cuzner has a responsibility he needs to attend to. All I'm doing is switching spots in the rotation, if that's okay with the committee.

**Some hon. members:** Agreed.

**The Chair:** Go ahead, Mr. Cuzner, for five minutes.

**Mr. Rodger Cuzner:** Thank you. I wonder whether our fast voting had anything to do with that collegial gesture by the government.

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

**Mr. Rodger Cuzner:** Thanks, we appreciate it.

Ms. Frenette, thanks so much for your comments. I have three questions I'd like to get in, if I can.

Since 2010, ECBC has paid just shy of \$250,000 for outside lawyers to pursue 14 appeals against employees under the compassionate disability benefit. ECBC has lost all 14 cases.

Will it be the responsibility of ACOA or of Public Works and Government Services to decide whether or not to continue to pursue this line of appeals? The compassionate disability benefit was a DEVCO program.

**Ms. Denise Frenette:** The HR obligations resulting from DEVCO operations will be transferred to Public Works and Government Services. They would be managing and making decisions on the future of these responsibilities.

**Mr. Rodger Cuzner:** So it will be Public Works and Government Services that will decide whether or not they want to continue to pursue using the public dollars against the former coal miners, you would think.

**Ms. Denise Frenette:** They're responsible for managing, yes.

**Mr. Rodger Cuzner:** With regard to clause 183, current ECBC vice-president John Lynn took personal leave last June. He continues to draw a salary of over \$160,000 a year, plus he continues to have the company SUV and full access to the credit card.

Will his position, salary, and benefits continue after this legislation is passed?

**Ms. Denise Frenette:** The legislation provides for the termination of the CEO appointment, so he will no longer be employed when the bill receives royal assent.

**Mr. Rodger Cuzner:** The CEO will be terminated as well.

**Ms. Denise Frenette:** Yes.

**Mr. Rodger Cuzner:** Do you think he'll give back the truck and the credit card then? That was a little editorial comment.

Further with clause 183, regarding the transfer of the employees to ACOA and their appointment to the public service, will this action include the current ECBC employees who have been named in the ongoing investigation undertaken by the Public Integrity Commissioner?

• (1655)

**Ms. Denise Frenette:** All employees currently employed with ECBC will be transferred over.

In the matter of the investigation, that is something that I can't speak to, it's ongoing. But upon royal assent, all employees of the crown corporation will become employees of ACOA or Public Works and Government Services.

**Mr. Rodger Cuzner:** There was one position that was fabricated. No other regional economic development firm has a liaison in Ottawa. ECBC had a liaison in Ottawa. With the finality of ECBC, will that position be eliminated or will that employee be rolled into the public service?

**Ms. Denise Frenette:** I can't speak to the investigation. This is a matter that is under way, it's confidential, but it has no bearing on this transaction. This is a separate transaction and all employees of ECBC will be rolled into the public service.

**Mr. Rodger Cuzner:** How much time do I have?

**The Chair:** You have a minute.

**Mr. Rodger Cuzner:** With regard to the flexibility of the programs that were with ECBC, will that suite of programs be surrendered or will consideration be taken into effect at ACOA to develop a suite of programs similar to ECBC programs? I'm sure you're familiar with the difference.

**Ms. Denise Frenette:** Yes, the ECBC programs will be terminated. What we will offer in Cape Breton will be the ACOA

suite of programs: the business development program, the innovative communities fund, and the Atlantic innovation fund.

These programs are flexible in nature and should allow us to deliver and respond to the needs of Cape Breton.

**The Chair:** That's pretty well it, Mr. Cuzner.

Thank you very much, Madam Frenette.

**Mr. Rodger Cuzner:** Chair, I want to thank you for indulging me on that. Thanks very much.

**The Chair:** You're welcome, Mr. Cuzner.

We will move on to Madam Bateman, now for five minutes.

**Ms. Joyce Bateman (Winnipeg South Centre, CPC):** It was really us, Mr. Cuzner.

[*Translation*]

Thank you, Mr. Chair.

Ms. Frenette, thank you for your presentation. The opportunity to discuss these provisions with you today is a very important one. It allows the government to be more effective, and that is what we want. So thank you for helping us do that.

[*English*]

I have a few specific questions.

You may not know but I come from western Canada and we have a very different model in the west. It's called western diversification. It is more efficient and effective and certainly less funded than ACOA.

I'm very interested to find out if ECBC has a board appointed by the Governor in Council or is that only ACOA at this juncture?

**Ms. Denise Frenette:** ECBC currently has a board appointed by the Governor in Council—

**Ms. Joyce Bateman:** Will they after this amalgamation?

**Ms. Denise Frenette:** They will not. That board will be abolished.

**Ms. Joyce Bateman:** How many members are there going to be on the final board, the amalgamated board?

**Ms. Denise Frenette:** There will be no amalgamated board. ECBC has a board of directors that will be terminated upon the dissolution of ECBC.

**Ms. Joyce Bateman:** How many members are there on that board?

**Ms. Denise Frenette:** I don't have the specific number of board members on ECBC's board. On the ACOA—

**Ms. Joyce Bateman:** You could let us know, for the record?

**Ms. Denise Frenette:** Yes.

**Ms. Joyce Bateman:** Okay, and how many are going to be on the amalgamated board?

**Ms. Denise Frenette:** There will be no amalgamated board. They have a very different board than ACOA. ECBC has a board that is a decision-making board. ACOA has an advisory board, and under division 9, we are proposing the abolishment of that advisory board, following royal assent, if both divisions are included in the approved bill.

• (1700)

**Ms. Joyce Bateman:** So what will the result be?

**Ms. Denise Frenette:** There will be no board.

**Ms. Joyce Bateman:** There will no board to ACOA? There will be no Government in Council appointments? There will no board at all?

**Ms. Denise Frenette:** Yes.

**Ms. Joyce Bateman:** Very interesting. Thank you for that.

You referred to your flexibility on the nature of projects when you were responding to Mr. Cuzner. Could you expand on that?

**Ms. Denise Frenette:** We have three major programs: the business development program, the innovative communities fund, and the AIF, which is the Atlantic innovation fund.

If I take the business development program, a lot of it is focused on supporting small and medium-sized businesses. Under this program, we do a variety of different things, such as innovation projects, business skills development, capital projects, and modernization.

Under the innovative communities fund, we can provide funding for a number of different types of community-based projects. Within the programs that we have, we have the flexibility to respond to the needs of the stakeholders.

**Ms. Joyce Bateman:** When you say that you have a very flexible program, and I'm specifically zeroing in on your response to Mr. Cuzner, what does that mean?

**Ms. Denise Frenette:** Typically what we would do with somebody who approaches the agency is look at what they're trying to achieve as an applicant, and then we would see how we could best provide funding to support the objectives intended.

**Ms. Joyce Bateman:** When you provide funding, is it with interest? How does that work?

**Ms. Denise Frenette:** If it's to businesses, it would be non-interest bearing, and no security. If it's to communities or non-profit, it would be a non-repayable contribution.

**The Chair:** Thank you very much, Madame Frenette.

Thank you very much, Madame Bateman.

Next on my speakers list I have Madame Gallant. She's not here, so it would be Mr. Warawa for five minutes.

**Mr. Mark Warawa:** Thank you, Chair.

I found today's witness and testimony very helpful and encouraging. I think back to Monday, when we heard that the wireless industry was going to reduce costs for Canadians. There were efficiencies being implemented with the new plans, the things we're doing for wireless and investments we're making in that to make life better for Canadians.

Then, we heard later on, regarding trademarks, that for 25 years Canada had been advised to get into the international regime where we are in sync with the rest of the world, that we were out of sync, and now that we are in sync, it is good for Canadian business, and for our economic future, to make these changes.

Now, today, we're talking about further efficiencies. So, it's really encouraging that the government is on track—again, looking out for the economic future of Canadians and finding efficiencies. When you find efficiencies things work better, Canadians are better represented, and taxpayers pay less taxes. That's what this government is all about, and Canadians love it.

So, I found it very interesting, too, that the opposition's concern was that things were being fast-tracked. Now, 25 years to get in sync with trademark legislation is considered fast-tracking. We saw just a half-hour ago in the House that they don't like fast-tracking. They like things to slow down.

So, here we are talking about how we can find more efficiencies and better represent Canadians living in Atlantic Canada. Now, one of the suggestions in these changes we're talking about today is, with these efficiencies, to report not every five years but every year. My question is, do you think it's better to report to Parliament every year, instead of every five years? That's my first question.

• (1705)

**Ms. Denise Frenette:** First of all, the annual reporting is a requirement for all departments so ACOA has no choice but to report on an annual basis, like all our fellow departments. By reporting every year instead of every five years, I believe the information is more timely and transparent to Canadians.

**Mr. Mark Warawa:** I would agree, Chair, that, as the presentation says, it's redundant to require five-year reporting when we're doing it annually. But of course, the NDP wants us to slow down and maybe report every five years. I don't think that's good for Canadians. So, I do support the annual..., and also the dissolution of multiple organizations, and that we come up with one. We would still focus on the economic development of Atlantic Canada, but instead of two organizations, have one, and the efficiencies. What type of efficiencies are we going to see with one, instead of two?

**Ms. Denise Frenette:** I think it certainly will speak to a simpler process whereby there will be one suite of programming to consider, and it will be consistent throughout the Atlantic provinces.

The one thing I will mention is that this is not a cost-saving measure. The money that was directed towards ECBC will be transferred to ACOA's budget and will form part of the available budget to support Cape Breton. Therefore, any efficiencies drawn from streamlining the processing, having one suite of programming to respond to Cape Bretoners' needs, will go back into the Cape Breton economy.

**The Chair:** Thank you very much, Madam Frenette.

Thank you very much, Mr. Warawa.

That's all the time we have for that round.

Now on to Mr. Masse first, and split with Mr. Cuzner...?

**Mr. Brian Masse:** Yes, I have just a couple of quick questions.

Thank you for your testimony here today.



With regards to the merger that's taking place, are there going to be any positions that are lost, and which ones are those?

**Ms. Denise Frenette:** There are no positions of employees that will be lost. As mentioned previously, the position of the CEO will be abolished.

**Mr. Brian Masse:** So just the CEO, and where would the CEO be based?

**Ms. Denise Frenette:** The position is currently based in Sydney.

**Mr. Brian Masse:** So Cape Breton will lose its CEO.

**Ms. Denise Frenette:** Yes.

**Mr. Brian Masse:** Okay. Now budget-wise, are there reductions to the budgets for this upcoming bill?

**Ms. Denise Frenette:** There will be no reductions in budgets. The budgets appropriated to ECBC will be divided between ACOA and Public Works and Government Services. ACOA will receive the appropriation associated with economic development activities and Public Works will receive the appropriations needed to assume the responsibilities for the former DEVCO liabilities.

**Mr. Brian Masse:** So just in summary, just to make sure, as an example then, the CEO position that is being terminated, the money from that CEO position is then turned into the programs?

**Ms. Denise Frenette:** Yes.

**Mr. Brian Masse:** Thank you.

**The Chair:** Monsieur Côté.

[Translation]

**Mr. Raymond Côté:** Thank you, Mr. Chair.

I would like to respond to what Mr. Warawa said. It's quite amusing to hear that he wants to speed things along, as the ECBC awaits the findings of the Auditor General's investigation into the Ben Eoin marina expenses. He wants to hurry up and deal with the problem by sending the ECBC into the lion's den.

Ms. Frenette, as you said, in its new simplified form, it will become more of an advisory body. Decision-making will be centralized such that decisions will not be made in the Atlantic provinces.

What's more, ACOA's direct spending is being cut. It will get \$288 million for the 2014-15 fiscal year, in contrast to the \$408 million it had in 2010-11.

● (1710)

**Ms. Denise Frenette:** There were two parts to your comment.

First, you said decisions would not be made in the Atlantic provinces. Did I understand that correctly?

**Mr. Raymond Côté:** What I understood from your explanation was that it would be more of an advisory body than a decision-making one, as far as how ACOA funding is used. Did I misunderstand?

**Ms. Denise Frenette:** I think so.

**Mr. Raymond Côté:** Oh, okay.

**Ms. Denise Frenette:** The decision-making structure did not actually change. Decisions are made in the Atlantic region and that is going to continue.

The other thing you mentioned was the budget reduction.

**Mr. Raymond Côté:** I was referring to the expenditures tied to ACOA programs.

**Ms. Denise Frenette:** As far as ACOA's programs are concerned, the budget remains solid. We anticipate \$300 million in funding for ACOA programs. Our budget was cut and we had to achieve efficiencies, as did every other department. But our reduction was no larger than those of the other departments.

When you asked about the reduction, you referred to the numbers for 2010, did you not?

**Mr. Raymond Côté:** Yes, I referred to the 2010-11 fiscal year, when your budget was \$408 million.

**Ms. Denise Frenette:** I don't have the exact figures with me, but if I'm not mistaken, in 2010-11, we were delivering specific programs under the economic action plan. That funding was allocated to us on a temporary basis. After delivering those programs, we are now back to our core funding level, which has not been cut.

**The Chair:** Thank you kindly, Ms. Frenette and Mr. Côté.

[English]

Now on to Madam Gallant, for five minutes.

**Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC):** Thank you, Mr. Chairman.

Through you, I'll be making some comments before I ask my questions. It's really unfortunate that Mr. Cuzner isn't here because I think he would benefit from hearing them, but nevertheless I'll put them on the record so that he can read them later. It was my understanding that he was trying to impugn our government for not having all the efficiencies or perhaps not spending the money meant for Atlantic Canada in the proper way.

I was first elected in 2000, and I had my very first brush with ACOA in about 2001. It was an ACOA refugee, I believe the correct terminology would be. This gentleman had been the person who had to legitimize any expense claims. When an expense claim came to him and there was not a matching receipt, he refused the claim. Then there was also the aspect of March Madness, where he was asked to backdate invoices so that they could claim them at the end of the year.

Anyway, he refused to do that. As a consequence they took work away from him, to the point where eventually he was just sitting in a room with nothing to do. He said to his superiors, "I might as well be in the Legion drinking beer." And they said, "Which Legion?" He told them which Legion, and that brought him to my riding, under an ACOA program called Exchanges Canada. So the person who worked in the Legion in this community went down to ACOA to learn business management from ACOA's standpoint, while this person went to the Legion to learn the business of the Legion there. That is how they took care of their problem and were able to get on with phony expenses again.

That was the point I wanted to make. And that was under the Liberal government.

What we are doing here is trying to ensure that the money goes to legitimate entities, and that more money goes, because we're taking away a board that really doesn't have functionality when it can be done through the different framework.

When members of the board were selected, what was the process? Was there an election? Was it a political appointment? How did the board members' positions come to be?

• (1715)

**Ms. Denise Frenette:** The board members were Governor in Council appointments, made on the recommendation of the minister.

**Mrs. Cheryl Gallant:** Okay.

[Translation]

**Mr. Dany Morin:** Pardon me, Mr. Chair.

**The Chair:** Yes, Mr. Morin?

**Mr. Dany Morin:** I apologize for interrupting my Conservative colleague, but I am flabbergasted at what she just said. I have no doubt she's telling the truth. My understanding is that she identified a genuine case of fraud. I hope she reported it to the authorities. Everyone knows that claiming—

[English]

**Mrs. Cheryl Gallant:** We tried our very best at the time.

**Mr. Dany Morin:** Yes, you did.

**Mrs. Cheryl Gallant:** This was years ago. But thank you for that intervention.

**Mr. Dany Morin:** And thank you so much.

**Mrs. Cheryl Gallant:** Okay.

What was the role of the board members? Were they deciding which entities received funding for different programs?

**Ms. Denise Frenette:** We're talking about the ACOA advisory board. It's an advisory board and they did not get involved in ACOA decisions. They provided advice on policies and programs of ACOA.

**Mrs. Cheryl Gallant:** What was the length of the board members' terms? Were they appointed for five years? Six years?

**Ms. Denise Frenette:** It's a three-year term.

**Mrs. Cheryl Gallant:** Did they receive remuneration?

**Ms. Denise Frenette:** Yes, they did, as per Treasury Board guidelines. I believe it would be in the range of \$275 to \$350.

**Mrs. Cheryl Gallant:** Dollars per day?

**Ms. Denise Frenette:** Per meeting.

**Mrs. Cheryl Gallant:** Per meeting.

Okay, thank you very much.

No further questions.

**The Chair:** Thank you, Ms. Gallant.

Now we'll go on to Monsieur Côté.

[Translation]

**Mr. Raymond Côté:** Thank you, Mr. Chair.

Ms. Frenette, I want to come back to the fate of the ACOA board members. The way things were handled, as far as losing their jobs goes, is rather troubling.

Were the board members advised of their impending fate before Bill C-31 was introduced in the House?

**Ms. Denise Frenette:** They received the news when the bill was introduced. If I'm not mistaken, they were spoken to beforehand, but not two or three weeks prior.

**Mr. Raymond Côté:** Very well.

Did they get the news by way of an internal communication?

**Ms. Denise Frenette:** Yes.

**Mr. Raymond Côté:** Okay.

As per Bill C-31, board members will not receive any compensation for their termination.

Did anyone look into transition options for them further to the loss of their board positions?

**Ms. Denise Frenette:** I don't have that information, so I'm not able to answer that.

**Mr. Raymond Côté:** Fine.

Thank you, Mr. Chair. I think I've covered the issue of favouritism and the matter of the expenditures being investigated by the Auditor General in relation to the ECBC reasonably well. I have no further questions for the moment.

**The Chair:** Thank you, Mr. Côté.

[English]

Our final questioner will be Mr. Van Kesteren.

**Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC):** I'm fine, Chair.

**The Chair:** Madam Frenette, have you any closing remarks, anything you would like to cover before we adjourn?

• (1720)

**Ms. Denise Frenette:** I would like to respond to a question that I wasn't able to respond to earlier. The ECBC board is a seven-member board, including the chair of the board and the CEO.

**The Chair:** Thank you very much.

Thank you very much, colleagues.

Very good, we'll adjourn the meeting now.







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