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Tuesday, February 25, 2014

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Chair

Mr. Pierre-Luc Dusseault

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•(0845)

[Translation]

The Chair (Mr. Pierre-Luc Dusseault (Sherbrooke, NDP)):
Good morning everyone.

I welcome you to the 12th hearing of the Standing Committee on Government Operations and Estimates. As planned, we are going to be studying the supplementary estimates (C).

This morning we welcome representatives from the Treasury Board Secretariat: Mr. Bill Matthews, Mr. Darryl Sprecher, Ms. Marcia Santiago, Ms. Christine Walker and Ms. Grace Chenette. Thank you for being here.

You have 10 minutes to make your presentation. Afterwards, members of the committee will ask questions.

Without further ado, I now give the floor to Ms. Matthews.

Mr. Bill Matthews (Assistant Secretary, Expenditure Management Sector, Treasury Board Secretariat): Thank you, Mr. Chair.

I am pleased to be here to discuss the supplementary estimates (C) for 2013-2014. I am accompanied by a few colleagues, Darryl Sprecher, Marcia Santiago and also

[English]

Christine Walker, who is the chief financial officer for the Treasury Board Secretariat, and Grace Chenette, who is the deputy chief financial officer.

[Translation]

Before replying to your questions, I would like to briefly show you 11 slides that give you an overview of the supplementary estimates (C).

[English]

I will start you all on slide 3. In order to respect the 10 minutes, we'll go fairly quickly. You should all have a slide presentation with you. I hope you do. What we will walk through today is the organization of the supplementary estimates just as a reminder for most of you, but we will talk about the structure of the document itself. I will go through most of these in more detail.

We have a specific slide on the major items, which would be the largest voted items, and we will walk you through those. Changes to individual votes we will go through as well. New votes and statutory authorities, there are a couple of things in here that are new. I would highlight for you right now that for Citizenship and Immigration there is a new authority related to debt writeoff as well as one related

to a drawdown authority on passports, which is a fairly technical adjustment. I'm happy to speak to that if it's of interest.

Then the largest parts we'll go through are the actual summary tables of supplementary estimates (C). The horizontal items I will speak to specifically. Then the bulk of the supplementary estimates (C) document is details by organization, and we will get into that, depending upon your questions.

I would like to remind committee members in addition to supplementary estimates (C), there is significant additional information available online. Those are things like statutory forecasts and estimates broken down by strategic outcome and program, just by way of example.

Slide 4 is a bit of a refresher in terms of what we're looking at here. In voted items we have 35 organizations represented here, voted and statutory. Just as a reminder, voted items are what actually gets rolled into the appropriation bill. The supplementary estimates (C) document is provided to help you with your study of that appropriation act.

Statutory items, we have \$373 million, which is actually a decrease. That is greater than our voted items, so net, there's a negative here. But the appropriation act you will see is only on the voted items, so you will see \$358.3 million there.

Budgetary versus non-budgetary, we're looking here at all budgetary items. This is just a reminder that budgetary items are those that affect the bottom line of the government from a surplus-deficit perspective. Non-budgetary items would be things like loans, where if they were repaid there would be no impact on the bottom line of the government. But in terms of what's in supplementary estimates (C), it's all budgetary items today.

Slide 5 is just to give you a sense of comparison to previous years, and what we're looking at this year. This is our third and final supplementary estimates for the year. We are sticking to our regular pattern whereby supplementary estimates (B) is the largest and supplementary estimates (C) is the smallest. That hasn't changed this year.

Voted items in 2013-14 are lower than they were in 2012-13 by \$3.8 billion, and \$5.1 billion lower than 2011-12, so that is a trend you are seeing in reducing voted items.

The decrease in voted items is being offset by increases in statutory items. This is not a new story for us here. The increase in statutory funding is based largely around the Canada health transfer as well as increases related to our aging population, so old age security and the guaranteed income supplement. That's not a new story here for you.

The split between voted and statutory is largely consistent with previous years. You are looking at about 36% voted versus the balance being statutory. That's a bit lower than in previous years, but that is caused by that trend in decrease of voted expenditures.

On slide 6, for those of you who are more visually oriented, we have a split here for you, 2013-14 compared to the fiscal year 2012-13, a split between operating and capital, public debt, and transfer payments.

You are seeing that transfer payments are taking up a bigger portion again this year of \$162.2 billion versus \$158.7 billion. It's always our biggest, but it's growing. Again, that's because of the Canada health transfer and those old age security and GIS payments I mentioned. Operating and capital is slightly down, as is spending on public debt.

● (0850)

Slide 7 is focused on horizontal initiatives. These are initiatives where more than one department is actually receiving money throughout the year. Some of these things you have seen in previous supplementary estimates. I will walk you through these items because they are some of our more significant ones.

The first one on this list is the road map for Canada's official languages, so we have several departments receiving money: Atlantic Canada Opportunities Agency, Canada Council for the Arts, Heritage, Citizenship, Health, Justice, and Public Works. There are three pillars for this funding: education, immigration, and communities. There's money representing all three pillars in this horizontal item.

The second item on this list is funding for the Centres of Excellence for Commercialization and Research. This relates to three organizations: CIHR, NSERC, and SSHRC. There is \$9.9 million and it relates to the fifth round of competition for this funding. Funding here is going to three organizations: Canadian Digital Media Network, Ocean Networks Canada, and GreenCentre Canada. Those are the three organizations receiving funding as a result of this competition.

The third item on this list is related to Finance, Public Safety, and Public Works. This is funding around government advertising at \$8.5 million related to measures announced in the 2012 budget initially, including transparency and accountability for charities, pooled registration pension plans, and the hiring credit for small business. These are all CRA items in there.

Sorry, I skipped one, back up. Finance, Public Safety, and Public Works advertising includes three things: economic action plan, public safety relating to the anti-cyberbullying campaign, and Public Works and Government Services Canada relating to a pilot project to purchase a web buy for online advertising.

The one I skipped to is the Canada Revenue Agency, which is around funding for the implementation of various tax measures in budget 2012. I apologize for that confusion.

Next up on the list, we have the Department of Fisheries. This is funding to strengthen the prevention and preparedness regime around oil spills. It is for \$6.9 million. You would have seen some money in this item for fisheries in supplementary estimates (B) as well.

Next on the list is funds for CBSA and Foreign Affairs. This is funding to address increased demands on both the temporary residents and citizenship programs, funding that was announced in budget 2013. If you went back to budget 2013, you would see that there was \$42 million for the temporary resident piece over two years, and \$44 million related to the citizenship piece over two years as well.

Lastly on this list, funding for Public Works and Government Services Canada and Treasury Board Secretariat around modernizing the disability and sick leave management in the federal public service.

I had mentioned before that I would walk you through the major voted items that we have in supplementary estimates (C), and I'll just run through this list for you on slide 8.

For Shared Services Canada, the workplace technology device software includes \$102.3 million. That's worth spending a few seconds here simply because as you go through each department's supplementary estimates, you'll see that there are reductions in the funding because of this initiative. This money is being funded basically by reducing other departmental reference levels, so it's not actually new money going into the system. This is money that used to be spent by departments, and is now being spent by Shared Services Canada around workplace technology device software. That's \$102.3 million.

For Treasury Board Secretariat, compensation adjustments include \$73.3 million. Members may be familiar with the operating budget freeze that will be reintroduced starting in 2014-15. It is not in effect for 2012-13. There was a one-year hiatus from the operating budget freeze. When there is no operating budget freeze in place, as collective agreements are signed, we will determine how much each department's share of the increase in compensation is based on the collective agreements, and we will increase departmental reference levels based on those collective agreements. This \$73.3 million relates to nine ratified agreements during the year. I'm happy to speak to those agreements if that's of interest.

For Public Works and Government Services Canada, office space and fit-up includes \$63.8 million. This relates to three new buildings that they're fitting up in Miramichi, New Brunswick; Ottawa; and D'Estimauville, Quebec.

● (0855)

For Indian Affairs and Northern Development, we have \$36.1 million related to resource devolution agreements in the Northwest Territories.

For Citizenship and Immigration Canada, we have \$35.5 million on the Canada-Quebec Accord on immigration. That is purely a formula based on the number of non-Francophone-speaking immigrants who go to the province of Quebec, as well as the federal spending, less public debt. There's an escalator clause for that agreement and it's based on the number of immigrants, as well as the spending of the Government of Canada, so that's an adjustment because of that.

Lastly, we have National Defence, the Aurora modernization and life extension project, which relates to extending the life of those aircraft. It's largely structural adjustments in this case, so you're looking at wings and horizontal stabilizers, if I recall correctly, to increase the lifespan of those airplanes.

Slide 9 relates to statutory forecasts. Again, this is information that is not included in the appropriation acts, but it is provided for information, so I thought we would spend a few minutes discussing the adjustments in the statutory forecasts.

First of all, Finance has \$92.3 million related to money for provinces who have reduced or eliminated taxes on capital. This is an adjustment to the formula for Manitoba, B.C., and Ontario, so it's a catch-up adjustment.

Lastly, you have a budget 2013 item for Environment, the Nature Conservancy of Canada, \$20 million. That's because the requirement there is for matching funds, so this is based on the amount of funds that the organization has been able to raise, and a matching amount comes in from the Government of Canada.

On the decrease side, we have two items. We have the Canada Revenue Agency disbursements to provinces under the Softwood Lumber Products Export Charge Act. That is based largely on duties paid. It really relates to the price of softwood in the U.S. Because of price changes in the U.S., lumber has gone up. We're decreasing the amount we have to pay here, so that's a downward adjustment.

The second item here relates to interest charges of \$241 million; \$182 million of that relates to the interest on unmatured debt. We're seeing lower interest rates, and the balance relates to a change in the interest costs related to an actuarial evaluation of one of the pension plans. So that's the combined amount there.

We have members from the Treasury Board Secretariat here, the chief financial officer and the deputy chief financial officer, so there is a slide 10 related to the Treasury Board Secretariat specifically. There is funding in the supplementary estimates (C) for modernization of a disability and sick leave management regime of \$1.9 million. That's partially offset by the workplace technology device software item I mentioned of \$0.5 million. Then you have vote 15 for compensation adjustments, which I spoke to on an earlier slide. That's the TBS story, but Christine and Grace would be happy to take questions on TBS specifically.

Lastly, on slide 11, just to wrap up, we have \$358.3 million in budgetary voted expenditures, which ties back to your appropriation act, which you will find in supplementary estimates (C). Thirty-five departments and agencies are in this group. You will see the appropriation bill formally tabled over the coming weeks.

Before concluding, I would like to highlight for you any errors we found in the document since it was tabled, and there is one. It relates to statutory spending, so our total if you go to the early pages of the summary for statutory is about \$0.3 million too low, so we will be issuing an erratum online to correct the statutory item. It is for information purposes only. It's not affecting the appropriation bill or the voted amounts, but I did want to highlight for members that we are going to be making that correction online in the next day or so. I do apologize for that mistake.

I think I've managed to squeeze this in under 10 minutes, Mr. Chair, and I will turn it back to you.

● (0900)

[Translation]

The Chair: Thank you for this summary, Mr. Matthews.

Without further ado, we will now go to questions from members of the committee. Mr. Martin, you have the floor.

[English]

Mr. Pat Martin (Winnipeg Centre, NDP): Thank you, Mr. Chair, and thank you, Mr. Matthews, for being with us here once again and for sharing with us an almost overwhelming amount of information in a short period of time.

I have some specific questions, but I'd like to start with a more general question. When you strip it down to what you're really doing here, the Treasury Board Secretariat is asking Parliament permission to spend another \$300-and-some-odd million. Help us to understand, we're in a deficit situation, we have to borrow that money, so from whom are we going to borrow that money and at what terms? I know this is more of a Finance question, but you've been very good in helping us to understand the estimates process over the years, and teaching us those general things. For the benefit of the layperson watching these committee meetings, where are we going to get that money, and at what kind of interest rate?

Mr. Bill Matthews: Thank you, Mr. Chair.

I will start by talking about the link between estimates and budget, because as the member mentioned, this is a Finance-type question.

When Finance does the budget, they are aware that there will be additional spending requirements beyond main estimates, so don't view this as a surprise in terms of additional requirements. These are things that were largely forecast in previous budgets, but departments are effectively now ready to start spending the money. Finance's borrowing plans would be more based on planned spending. Supplementary estimates mean that the department has now properly designed its program and is ready to spend.

Mr. Pat Martin: I'm more interested in who we borrow it from and at what interest rate these days.

Mr. Bill Matthews: The Department of Finance does issue a debt management report on its website. There is a mix of long-term and short-term borrowing. If you looked in the public accounts, I believe the increasing trend is for borrowing domestically, but there is some foreign debt as well. Interest rates have been going down over the last few years, and that's why you will see, I think in each of the last three years, a downward adjustment in finances forecasted—

Mr. Pat Martin: I noticed that as one of the reported items here, interest costs are down \$241 million.

Mr. Bill Matthews: That's typically because the long-term interest rate is going down, so regardless of—

Mr. Pat Martin: Who's holding most of our debt these days? It used to be that most of it was held domestically. Is that still the trend or is most of it held offshore?

Mr. Bill Matthews: That is still the trend. There is still some foreign debt.

Maybe while we're answering other questions, I can actually dig that out for you and give you a response in a few seconds.

Mr. Pat Martin: Sure.

My second question then is going from the macro to the very micro. It kind of strikes me as odd that the President of the Treasury Board has occupied himself with checking sick slips from doctor's notes and trying to make the case that there's some kind of widespread abuse of the sick leave provisions amongst the public service. Can you point out to me what the empirical evidence is that would lead the Treasury Board President to say such things? What is the basis for this new undertaking to go after the sick leave benefits in the public sector?

Mr. Bill Matthews: I'll say a couple of things on the sick leave issue. The statistics on sick leave usage, both paid and unpaid, have been on the Treasury Board Secretariat website, I believe, since May of last year. I'm sure members are aware that the Parliamentary Budget Officer recently did a report on sick leave in the public service that had essentially the same information: 18 days of sick leave on average per employee.

• (0905)

Mr. Pat Martin: But that's paid and unpaid. Why are we concerned with the unpaid?

Mr. Bill Matthews: Both are important actually, because if you look at our sick leave regime and we compare ourselves to other employers, the federal government is one of the few large employers that doesn't have a short-term disability regime. So when we look at our employee base, many of our public servants don't have enough sick leave to carry them through to long-term disability. That's the case for modernizing our disability management regime to bring in a short-term disability program, because when you have employees—

Mr. Pat Martin: But Mr. Matthews, that's not without costs too. You have to buy that insurance from somebody, and insurance companies never lose, so arguably you're going to be paying more for that short-term disability leave than you would be by bridging it with salary.

Mr. Bill Matthews: With regard to the actual sick leave regime and the modernization of that, there have been no savings articulated for that yet. It's too early. It has to be negotiated. There also has to be consultation with industry. There are only two pieces here.

Mr. Pat Martin: Then why are we spending a couple million dollars in anticipation of what may or may not happen at the bargaining table in future collective bargaining?

Mr. Bill Matthews: Well there are two pieces to that. The Public Works piece is all around consulting with industry, because if there is

to be a request for proposals put on the street, as you mentioned, industry will be out there. There is work to be done there.

The Treasury Board Secretariat is doing some work on its own. I can let Christine speak to where the Treasury Board Secretariat resources will go.

Ms. Christine Walker (Assistant Secretary and Chief Financial Officer, Corporate Services, Treasury Board Secretariat): Treasury Board Secretariat, as the employer of the public service, is responsible for the overall project leadership for the modernization of the sick leave and disability management program, the design work on the new plans, as well as any policy development. It also will support the negotiations with the bargaining agents, as already mentioned by Mr. Matthews.

Mr. Bill Matthews: Maybe I could finish with one quick comment. In terms of the average statistics we have on our public service, our long-term disability kicks in after 13 weeks. So under the current system, to make it through to long-term disability you need enough sick leave to get you there.

Mr. Pat Martin: When does EI kick in?

Mr. Bill Matthews: EI would kick in earlier than that, but again, there's still a cost to that.

Mr. Pat Martin: Isn't that a bridging tool?

Mr. Bill Matthews: It's a bridging tool to a certain extent, but it's not one that is widely utilized. When we surveyed other employers, we're basically one of the few left that doesn't have a short term disability regime.

Mr. Pat Martin: You're one of the few left that has a union.

[Translation]

The Chair: Thank you, Mr. Martin. Your time is up. I now yield the floor to Mr. Trottier.

Mr. Bernard Trottier (Etobicoke—Lakeshore, CPC): Thank you, Mr. Chair.

[English]

Thank you for the explanation about short-term disability. It's interesting to point out that major employers, unionized or not, all have short term disability programs in the country. The Government of Canada is an outlier currently not having that kind of regime in place. I think it's a question of going from an archaic system to a more modern system.

Just making the inference, if other employers do it there must be a reason. There must be some benefit to those employers, otherwise they wouldn't have it. Is that part of the thinking of the Government of Canada as to why we want to go to short-term disability?

Mr. Martin's point is that the insurance companies will make some money, but I think also the employer will realize some benefits. Could you explain how having a short term disability program in place would drive benefits for the Government of Canada?

Mr. Bill Matthews: Thank you.

There are two key pieces here. Number one is that 11% of our employees have no banked sick leave whatsoever, so if they're sick they're unpaid. If you're dealing with a short term disability regime of some sort they will get some percentage of pay, so there's a benefit there. As well, 60% of our employees don't have enough to get through to long-term disability, so again there's a benefit there.

The other piece in terms of modernizing our system is a more active case management system. If you speak to other employers and HR folks they'll tell you that being connected to your employees while they're off sick is important. When they're ready to come back to work we want them to come back to work and we need to do better on that front as well. It's a more active regime altogether.

Mr. Bernard Trottier: Thank you.

The major item in your request to Parliament to appropriate funds is the compensation adjustments, and reading the supplementary estimates (C), it says:

Subject to the approval of the Treasury Board, to supplement other appropriations that may need to be partially or fully funded as a result of adjustments made to terms and conditions of service or employment....

We talk about the Royal Canadian Mounted Police, the Canadian Forces, GIC appointees, and crown corporations.

In plainer English could you explain what these compensation adjustments are and why there is a request to Parliament at this time in the supplementary estimates (C) for \$73 million?

● (0910)

Mr. Bill Matthews: Sure. Thank you.

There are a couple of things here. These are agreements that were reached during the fiscal year. When a collective agreement is reached, either at the table or through arbitration, it doesn't matter how, there's a calculation done at the centre based on the group that has reached a deal and we figure out the resources that departments need to basically keep them whole.

In this case we had the bulk of this funding relate to the core public service: 22,000 employees and nine different agreements. To run through a few examples, aircraft operations received a 2% raise and there are about 460 employees there; Correctional Services folks received a 2% raise for roughly 7,200 employees, which was again reached over the summer, if I recall correctly. The executive cadre received a 1% raise and so that's factored in. The financial folks or the FIs or our accounting people had a 2% raise. Foreign services....

Those nine agreements, when we calculate it all up and figure out the impact on departmental budgets, that's where this money actually comes from.

In an operating budget freeze environment, which we will be starting next year, you will not see this. This is only in an environment where basically we're holding departmental funding whole, where these agreements got reached.

Mr. Bernard Trottier: When you say compensation adjustments, are any of those funds related to termination? I know there has been some downsizing in various areas of the public service. Most of that, to my understanding, was through attrition, through natural retirement and not replacing people. Are any of those compensation adjustments related to terminations?

Mr. Bill Matthews: No, these adjustments are all basically collective agreements, so changes to rates of pay, allowances, things like that. None of this money relates to that.

The costs that were absorbed by departments around terminations were all effectively absorbed out of the departments' existing budgets.

Mr. Bernard Trottier: In your presentation you talked about a number of horizontal items, spending that goes across different departments. How is it that those spending items show up in the supplementary estimates (C)? Would you explain the process of how this horizontal item—and to pick one example, the road map for Canada's official languages, which is something that goes across all departments across the Government of Canada—shows up now as a request for funds in supplementary estimates (C)?

Mr. Bill Matthews: This again relates to the role of Treasury Board and back to the link of budgets. When spending plans are at a detailed enough level that Treasury Board will then approve them, that's when you actually roll into the next available estimates document, whether it be main estimates or one of the three supplementary estimates.

For the road map for official languages, we have money for multiple departments, and Treasury Board did approve that since the last time. The commitment relates back to budget 2013, so it's not surprise funding or anything like that.

From a horizontal perspective we feel it's important that people understand that this money is going to multiple departments. If you were to look at the appropriation acts you would see money for ACOA, you would see money for Justice and Health, but you wouldn't see the link to the whole program. This is just a way of highlighting that multiple departments are getting money for this initiative.

[Translation]

The Chair: Ms. Day, you have the floor.

Mrs. Anne-Marie Day (Charlesbourg—Haute-Saint-Charles, NDP): Thank you.

Mr. Matthews, thank you for being here.

I would like to ask you some other questions on the insurance public service employees can obtain. You said that they could apply for employment insurance first of all. If I remember correctly, this involves short-term and long-term insurance. Normally, these programs are negotiated when people get insurance.

If I understood what you said properly, you would be negotiating long-term insurance. Consequently, the employees will have to turn the employment insurance for a certain number of weeks, and that corresponds to 55% of their salary. Then they will receive long-term benefits.

People are fully insured by the insurance company as soon as they are entitled to benefits. What is the amount of those benefits as compared to current employment insurance benefits?

Mr. Bill Matthews: Thank you for this question.

Currently, there is no plan to indemnify workers who are ill for a short period of time.

• (0915)

[English]

What budget 2014 has indicated is that the government is looking through the upcoming round of negotiations at a short-term disability regime. There is already a regime in place for long-term disability for employees. The way that regime works is that, if you've been absent for 13 weeks consecutively, you get 70% of your income. That's the long-term plan.

We don't have a short-term plan at the moment. Employees can accumulate 15 days of sick time per year, which accumulates. If they have sufficient sick time to get them through to long-term disability, that's the goal. What we realized when we looked at the statistics was that very many of our employees do not have enough sick leave to get them through to long-term disability. That's the reason we want to put a short-term disability regime on the table at the next round of negotiations. I can't give you any detail as to what the rates of reimbursement might look like because it does have to be negotiated. That is the upcoming round of negotiations with employees.

[Translation]

Mrs. Anne-Marie Day: If I understood correctly, this will be addressed in future budgets. Will this apply next year?

[English]

Mr. Bill Matthews: I can't put a timing on the actual negotiations. The negotiations are starting for the next round, which is during 2014-15. I would assume that as an agreement is reached it would be made public when it is ratified because it is at the bargaining table. I can't really speak to the timeframe over which it will be negotiated.

[Translation]

Mrs. Anne-Marie Day: I would like to ask you a question about the Canadian Food Inspection Agency. Can you tell us what cuts will be made to that agency?

Mr. Bill Matthews: Just a moment, please. Can you tell me what page this is on?

Mrs. Anne-Marie Day: In the document you gave us, they mention page 6, but I did not find it, unfortunately. They refer to an

amount of \$2,477,594. The whole matter of food inspections is very current because it affects the food safety of citizens.

Mr. Bill Matthews: In supplementary estimates (C), there is nothing concerning that agency. So I cannot answer that question for the moment.

[English]

Maybe if you can give us some additional details we can take your question away and maybe get back to you.

[Translation]

Mrs. Anne-Marie Day: There is a decrease in the current supplementary estimates. Can you tell me what this consists of? We already have too few inspectors in this area.

[English]

Mr. Bill Matthews: I'm still looking for a reduction. I don't see...

[Translation]

The Chair: This is on page 10. It is in the grey column. I think this is what Ms. Day was referring to. There is this amount of \$2,477,594.

Mr. Bill Matthews: Ms. Santiago informs me that this is a transfer to another organization, and not a cut. We will be able to give you an answer on this in a few minutes.

The Chair: Fine.

Ms. Day, you have the floor.

Mrs. Anne-Marie Day: I would like to go back to another topic, since on page 11 they talk about citizenship and immigration. It is in the grey column.

Previously, you said in your introduction that these were non-francophone immigrants for Quebec. Could you provide us with further details on that? Why are there cuts in this part?

[English]

Mr. Bill Matthews: In this case, this is not a cut, this is actually an increase. The Canada-Quebec Accord on immigration is an agreement reached between the Government of Canada and the Province of Quebec. It relates to funding for immigration. What happens is that there is a base amount in the budget for Citizenship and Immigration but it gets updated every year. There is a formula to calculate an increase and it's based on the number of non-francophone immigrants as well as the total federal government spending. That amount is actually used to provide additional resources. This is actually an increase that's flowing out as a result of the adjustment to that formula.

To finish the response, base funding around that agreement is roughly \$285 million, and then this escalator or increasing factor is a formula-based adjustment of \$35.5 million over and above that.

• (0920)

[Translation]

The Chair: Thank you, Mr. Matthews and Ms. Day.

I know give the floor to Mr. Adler.

[English]

Mr. Mark Adler (York Centre, CPC): Thank you, Chair.

First of all, I want to ask more of a macro question just to kick things off.

Mr. Matthews, I will direct it to you.

The appropriations seem to be down for the third year in a row now. It's about \$4 billion from last year roughly. Can you briefly speak to account for that, the decrease in the amount of the appropriation?

Mr. Bill Matthews: Sure. Thank you for the question.

If you go back in recent history over the last three years voted is going down. If you went back to 2011-12, voted spending was \$99.9 million, down to \$98.6 million in 2012-13, and down to \$94.8 million in 2013-14. There are really two main reasons for that. You had the unwinding of economic action plan spending—there was a period where spending was at its peak—and you had initiatives such as strategic reviews followed up by the strategic and operating review, which were aimed at finding further efficiencies. That's sort of bearing out in the reduction in voted items here.

Mr. Mark Adler: So the exercise at finding greater efficiencies would, in your estimation, have been a successful exercise, from what the numbers are showing.

Mr. Bill Matthews: In terms of getting spending back down, absolutely. The deficit reduction action plan or strategic and operating review had a specific target in mind. That target was met, and funding to departments was reduced over a three-year period to allow them time to implement those changes. That's what's bearing out here.

Mr. Mark Adler: Thank you.

In terms of these statutory forecasts, I'm seeing here that under Finance, the slide states, "Incentive for provinces to eliminate taxes on capital \$92.3 million". Can you speak about that a bit and elaborate on that for me?

Mr. Bill Matthews: Sure. That was a budget 2007 commitment made by the federal government, so it does date back. For the provinces that were willing to eliminate taxes on capital, there was effectively money being transferred from the federal government to compensate them for eliminating those taxes.

In this case you have three provinces, Manitoba, B.C., and Ontario. The reduction here is not because they have eliminated capital tax for the first time. It's a bit like that Canada-Quebec accord I mentioned, where there are adjustments to the formula based on actual taxes. That's what you're seeing here, adjustments to the formula.

Mr. Mark Adler: Of those three provinces, which one was the biggest recipient?

Mr. Bill Matthews: I'm not sure I have that with me. I'll have to get back to you with that one.

Mr. Mark Adler: Okay.

I notice also that the public debt is down. Maybe I'm missing it here, but roughly how much are we paying down in public debt per year?

Mr. Bill Matthews: The actual interest costs are going down over what was forecast. That's because long-term interest rates were effectively lower than was forecast. Whenever we do supplementary estimates, we update the forecasted interest spending based on the Department of Finance's most recent numbers, which come from a survey of private sector economists.

Just taking a quick look at my balance sheet here, at March 31, 2013, the total liabilities of the government actually increased over the previous year. This is not because the debt has gone down; this is because interest rates have gone down.

Debt was up in 2013 over 2012. The government is still in a deficit position. Until you see government in a surplus position, you'll see debt basically continue to grow at that level.

• (0925)

Mr. Mark Adler: Okay.

In terms of the interest payments, is it a long-term interest rate that's selected, or short-term, or an overnight rate? What interest rate is—

Mr. Bill Matthews: The actual forecast is based on multiple sets of interest rates, but the bulk of our debt is long term in nature. Finance has been adjusting their strategy over the years to take advantage of better rates.

If it's an area of interest for you, there's an excellent report on the Department of Finance's website on their borrowing strategy and their mix of debt.

Mr. Mark Adler: Okay. Thank you.

I'm good, Mr. Chair.

[Translation]

The Chair: Thank you Mr. Adler, your time is up.

Mr. Byrne, you have the floor. You also have five minutes.

[English]

Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.): Thanks very much, Mr. Chair.

Thank you to our witnesses.

One of the most difficult tasks for us on the committee and as parliamentarians is to analyze horizontal items. They tend to be a little bit more difficult to track.

Mr. Matthews, in slide 7 of your presentation, you informed the committee that Public Works and Government Services Canada and Treasury Board Secretariat were seeking authorization for funding to modernize disability and sick leave management in the federal public service. You list the amount requested as \$2.6 million. That's what you've informed the committee.

I've gone back to the supplementary estimates, and I'm trying to square that circle. In the supplementary estimates it tells us that under Treasury Board Secretariat, for funding the modernized disability and sick leave management in the federal public service, vote 1c will seek authorization to increase it to \$1.9 million, and available authorities will reduce that amount required by \$479,000.

Then, if you look at Public Works and Government Services, under votes 1c and 5c you're seeking \$464,000 in new appropriation.

That doesn't total \$2.6 million. In fact, if you include the available authorities of \$479,000 and you subtract it from the \$1.9-million figure under the Treasury Board Secretariat—which, I think on slide 10, you round out to suggest that it's \$1.4 million in total—how did you come to the \$2.6-million figure when the supplementary estimates don't seem to add up to that?

Mr. Bill Matthews: Christine, did you want to take that one?

Ms. Christine Walker: It's a good question. If you actually go to page 2-51, which is the Treasury Board as a department, where it lists all of what is in the supplementary estimates, under “Budgetary”, “Voted”, “1c Program expenditures”, what you'll see there is \$1.4 million. That is the \$1.9 million for the program to modernize the disability and sick leave management, less a transfer to Shared Services Canada for the workplace technology devices of about \$0.5 million. Then down below under “Total Statutory” you're going to see roughly \$152,000. That's for employee benefit plans, because in the amount of the Treasury Board of \$1.9 million, there is an amount that is for salaries, and on top of those salaries, there is roughly \$152,000 worth of employee benefits like the employment insurance plan, Canada pension plan. So that was rounded up to about \$200,000, to \$0.2 million, which is why you get the difference in the two.

Hon. Gerry Byrne: Explain to me, then, why that figure would be included. In information to Parliament, why would you be including \$152,000 for employment costs related to funding to modernize disability and sick leave management in the federal public service. It seems to me you have to have some sort of ESP to be able to put this all together.

Ms. Christine Walker: Bill can add to this if he wishes.

First of all, out of the \$1.9 million for the Treasury Board Secretariat, \$800,000 is to pay salaries. Just like in any business, there is an employer contribution for salaries for things like the Canada pension plan, employment insurance, those types of things. Those are statutory payments because they have to be paid, and that \$152,000 or \$0.2 million difference is actually for the employer portion of the employee benefit plan.

The purpose, really, of the \$2.6 million is to show you the total cost, including the employee benefit plans.

• (0930)

Hon. Gerry Byrne: That's for the Treasury Board Secretariat. What about Public Works and Government Services? I assume that the same circumstances would apply there as well.

Mr. Bill Matthews: To the extent they have new employee costs in that money, the same thing would apply. But maybe, since we're always looking for ways to improve estimates, if your message to us, Mr. Chair, is that the horizontal descriptions we have in the upfront piece of the estimates would be better if we split between statutory and voted, we're happy to take that one under advisement as an improvement, if it would be clearer for members.

[Translation]

The Chair: Thank you Mr. Byrne. Your time is up.

I now yield the floor to Mr. Aspin, who has five minutes.

[English]

Mr. Jay Aspin (Nipissing—Timiskaming, CPC): Thank you, Mr. Chair.

Welcome, Mr. Matthews and your team. You continue to amaze me with the amount of knowledge you have of these figures and how you can put them into context.

I'm going to focus on the Treasury Board Secretariat. You have an item under “Compensation Adjustments” of \$73.3 million. I believe you indicated to us in your presentation that there were nine agreements. For compensation adjustments in relation to agreements signed between August 1 and December 1, 2013, this funding will be used to compensate departments, agencies, and appropriations-dependent corporations for the impact of collective bargaining agreements and other related adjustments to terms and conditions of employment. So that's our understanding of what's in that amount.

I wonder if you could tell us, sir, what terms and conditions of employment have changed to require all these adjustments.

Mr. Bill Matthews: Certainly. Thank you for the question.

The vast majority of this funding relates to actually rates of pay. I did mention the nine agreements in the core public service, but just to refresh, those were aircraft operators; correctional services; executives; FIs, our finance group; foreign service officers; ship repair east and ship repair west, which are two separate bargaining agents; and then a group called technical services. That's the bulk of the nine agreements.

On average, and there are differences in each agreement, the compensation went up by about 2%. This is the most common in terms of rates of pay. Executives were lower than that at 1%. The terms and conditions of employment that changed were not across the board. They were specific to a couple of agreements. If I look at the correctional services item for our prison guards, for instance, there was a 2% raise there, plus I believe a one-time allowance of \$1,750. That's an example of something that's not part of their base pay but relates to terms and conditions of employment. That was reached through that negotiation settlement.

If I were to look to our finance folks, they had an allowance in the past that was temporary in nature because it wasn't a permanent adjustment to their salary base. If you have a temporary adjustment that is around long enough, you eventually say that we should probably make this part of the permanent salary. We took one of the temporary allowances, and we rolled it into their salary and made it part of the base itself. That would be another example of an adjustment that was made.

Those are the two off the top of my head that are different in terms of allowances, but the bulk of this funding relates to the actual economic increases that were negotiated. On average, it's 2% with a few outliers as well.

Mr. Jay Aspin: Thank you.

Treasury Board is requesting the \$73.3 million for vote 15c, which is a centrally managed vote. Can you tell us what the purpose of the centrally managed vote is?

Mr. Bill Matthews: Central votes are a little special, so thank you for that question. These are votes where we actually take the funds and allocate them out to departments. Parliament approves Treasury Board Secretariat to receive money on a central vote. Then Treasury Board Secretariat, through Treasury Board, allocates it out to departments. It's a central vote in terms of the authority, and then as things occur, Treasury Board Secretariat will basically allocate money from a central vote to departments.

If you think about this one, correctional services is the easiest one. There was an agreement reached for our prison guards. We can calculate the economic increase and the resulting impact on their expenses, 2% plus the allowance. When you do that math, you figure out how much extra money that will cost the department, and the money is transferred from the central vote out to correctional services. We would do similar calculations for all of the other agreements that are reached.

We have other central votes, but the one you have focused on is related to compensation.

• (0935)

Mr. Jay Aspin: Thank you, sir.

That's all I had, Chair.

Thank you.

[Translation]

The Chair: Mr. Aspin, your time has expired.

I now yield the floor to Mr. Martin for five minutes.

[English]

Mr. Pat Martin: Thank you, Chair—

Mr. Bill Matthews: Excuse me, Chair. We had two follow-up questions that we have answers for. Can I maybe intervene now? One was for Mr. Martin, and one was on CFIA. Can we maybe provide those answers?

[Translation]

The Chair: Yes, you can do that immediately.

[English]

Mr. Bill Matthews: I'll take the first one, and I'll turn to Marcia for the second one.

[Translation]

Mr. Chair, Mr. Martin asked a question on liabilities.

[English]

We were looking at market debt, foreign debt versus Canadian currency. I'm looking at the public accounts. At the end of 2013 total payable in foreign currency was about \$10.8 billion and in Canadian currency was \$657.2 billion. The vast majority is in Canadian currency. Of a total of \$668 billion, \$657 billion is payable in Canadian currency. The balance is payable in foreign currency. It's quite a heavy weighting towards Canadian currency versus foreign currency.

That was the first question Mr. Martin had asked. There was a second question on the Canadian Food Inspection Agency, which we'll take now.

Ms. Marcia Santiago (Executive Director, Expenditure Management Sector, Treasury Board Secretariat): There was a comment earlier about an apparent reduction of \$2.5 million related to the Canadian Food Inspection Agency. In fact, that amount isn't a reduction. It's a transfer. What happens in this case is that the Canadian Food Inspection Agency is transferring an amount of \$2.5 million to Shared Services Canada. What is going on in this transaction is that CFIA is requesting that Shared Services Canada procure hardware and software in support of IM/IT requirements for CFIA's food safety action plan.

It's not really a reduction in CFIA's authority. What they're doing is they're asking Shared Services Canada to purchase equipment for them so that they can continue implementing their own program.

[Translation]

The Chair: Thank you for those two clarifications.

I now yield the floor to Mr. Martin.

[English]

Mr. Pat Martin: Thank you for that, Mr. Matthews. Most of our debt is held domestically then by domestic banks in Canada?

Mr. Bill Matthews: It's possible that you could have debt with a foreign bank but that it's payable in Canadian currency. What I've given you is that it's payable in Canadian currency so there's no foreign exchange risk, but I can't say who is actually holding it.

Mr. Pat Martin: You can't say who is holding our debt or how much is held by Canadian banks.

I want to start again with a fairly narrow question and then, if there is time, a more macro question. You're trying to package this change to short-term sick leave as sort of a net benefit to public servants, but surely there's a quid pro quo. I mean there's another side to this coin. They currently earn one and one-quarter sick days per month, which is not overly generous in my estimation. That will have to be reduced to show any savings. Is that the intent going into this round of bargaining, to reduce the number of sick days per month that employees earn and to therefore save?

Mr. Bill Matthews: If we're looking at negotiating a short-term disability program—

Mr. Pat Martin: It would take the place of that one and a quarter days' sick leave.

Mr. Bill Matthews: The current sick leave regime, as you mentioned, has one and a quarter days...or 15 days a year. That is the alternative to that. If you're negotiating a new short-term disability plan, that would be on the table, but I can't comment as to how the negotiations will go.

Mr. Pat Martin: You said about 11% of employees don't have enough accumulated sick days to bridge?

Mr. Bill Matthews: Eleven per cent have no banked sick days at all. So 11% of employees, if they take one sick day, are not paid for it. EI doesn't kick in for one day.

Mr. Pat Martin: They've used up their days already.

Mr. Bill Matthews: They've used up their days. We have 60% who don't have enough to carry them through to long-term disability.

Mr. Pat Martin: Are you allowed to use those one and a quarter sick days if your child gets sick, for instance?

● (0940)

Mr. Bill Matthews: There's a separate allocation called family related leave, which I believe is a week a year if I recall correctly. That's what you would use if you have to take care of a child or something like that.

Mr. Pat Martin: Would that disappear as well then when you negotiate this new short-term sick leave?

Mr. Bill Matthews: My understanding is that what's on the table is the sick leave regime itself, which implies sick leave for employees.

Mr. Pat Martin: Which other employers are you comparing your regime to? The President of the Treasury Board implies that ours is wildly generous and that there's widespread abuse of it and that other companies like Walmart or something don't have the same sick leave regime. What other companies did you use for your comparative study?

Mr. Bill Matthews: We've actually looked extensively across all industries, not just at the private sector but also in the pseudo-public sector as well. We're one of the few major employers left that actually have this regime. It's about modernizing the regime itself.

Mr. Pat Martin: Under Shared Services Canada—and this may be a subject for our committee some day as a separate investigation, I suppose—there is \$102 million in this appropriation that we're supposed to vote on for procurement of workplace technology device software. That's one hundred and two million dollars for a software contract. Every year I've sat on this committee, we've seen millions and millions of dollars going into software contracts to bring Shared Services to fruition or to make manifest this massive dream that we're going to someday save money by consolidating our Shared Services.

Who is the lucky beneficiary who got a \$102-million contract for computer software?

Mr. Bill Matthews: This actually isn't one contract, Mr. Chair. What's happened here is that departments used to be responsible for procuring end-user device software. That's software for your computer, software like Windows, Adobe, and things like that.

Shared Services Canada is now responsible for procuring those types of software across all government. So here we're just transferring the amount that was in each department's budget to do that sort of work, and we're shifting it over to Shared Services Canada so that they can actually—

Mr. Pat Martin: Is it more or less? Is this a savings?

Mr. Bill Matthews: There will be a savings attached to this. We have basically removed money from the reference levels of departments and we've given Shared Services Canada less than what we used to spend. They will negotiate on a government-wide basis and derive savings from that.

This move will also result in standardized software.

[*Translation*]

The Chair: Your time is up.

Mr. Bill Matthews: Mr. Chair, I think Christine wants to add something.

The Chair: Very well.

Ms. Walker, you have the floor.

[*English*]

Ms. Christine Walker: For this current fiscal year, there will be savings of \$2.1 million as a result of this consolidation, and from April 1 ongoing, that will be \$8.7 million. What's also important, as Mr. Matthews stated, is that currently each department has its own contracts with Microsoft or Adobe. The whole purpose of this is to consolidate all of the software purchasing with SSC so we can gain from economies of scale.

Mr. Pat Martin: My closing comment on that is that the public doesn't like Shared Services Canada. So if you're only saving \$2 million, most end users are frustrated about this centralization or consolidation of Shared Services—the single window business. They don't like it at all. Maybe it's Service Canada....

[*Translation*]

The Chair: This concludes the first part of our meeting.

Once again, thank you for being here and for your explanations on the supplementary estimates (C), and we hope to have the pleasure of seeing you again soon to discuss the main estimates.

I am going to suspend the meeting for a few minutes. Then we will come back to our agenda and choose the witnesses for a future study. This part of the meeting will be held in camera.

[*The committee continued in camera.*]

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