



OFFICE OF THE
PARLIAMENTARY BUDGET OFFICER

BUREAU DU
DIRECTEUR PARLEMENTAIRE DU BUDGET

Assessment of Planned Security Costs for the 2010 G8 and G20 Summits

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www.parl.gc.ca/pbo-dpb

The *Parliament of Canada Act* mandates the Parliamentary Budget Officer (PBO) to provide independent analysis to the Senate and House of Commons on the state of the nation's finances, the government's estimates and trends in the national economy.

Key Points:

- The PBO was asked to assess the reasonableness of the security costs for the upcoming G8 and G20 Summits in Huntsville and Toronto.
- The Government of Canada has been relatively transparent, when compared to other countries, on the costs of security related to the summits. The total cost of security for the 2010 G8 and G20 Summits amounts to \$930M, which includes \$507M for RCMP, \$278M for Public Safety, \$78M for National Defence and a \$55M contingency reserve.
- The PBO found it difficult to find comparable data of past events to assess the security costs related to the 2010 Summits. This is largely due to the lack of disclosure by other jurisdictions, differences in key considerations and cost drivers of summit security and differences between base versus incremental funding.
- The estimated costs per RCMP officer and per Canadian Forces unit for the 2010 Summits have risen significantly since the 2002 G8 in Kananaskis. The cost per RCMP officer is also substantially higher than the cost per Canadian Forces unit, and the variance remains unexplained.
- Based on the PBO assumption of a 65/35 cost split between two venues, the PBO does not feel the total cost of security of the 2010 G8 in Huntsville is unreasonable. However, the PBO is unable to provide an assessment of the reasonableness of the total costs of security of the 2010 G20 in Toronto because of the lack of comparable data. Parliament may wish to seek additional analysis from the government in the variance of G20 Summit security costs.

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I. Background

Request

On May 26, 2010, the Member of Parliament for Vancouver Kingsway, requested that the Parliamentary Budget Officer (PBO) conduct an analysis of the planned cost of the security measures for the upcoming G8 and G20 Summits taking place in Huntsville and Toronto, Ontario, respectively. The request noted that costs of security appeared to have increased substantially in the short term and were purported to have surpassed \$1 billion.

Scope and Objectives

The PBO undertook this analysis with the objective of providing parliamentarians with a framework to assess the reasonableness of the planned costs of security related to the G8 and G20 Summits occurring in June 2010, as well as an assessment of the transparency of the costs provided by the Government of Canada (GC) to Parliament. In the PBO's approach, comparisons have been made with the costs of the 2010 summits to past summit events, as well as a comparison of the level of disclosure of summit costs provided by other host countries for past summits.

It is important to note that this analysis does not provide a costing model for security of summit events, nor does it provide a value-for-money analysis. The purpose of this briefing note is to provide a *high-level* explanation and assessment of the reasonableness of the planned expenditures for G8/G20 security. It has been reported that the Auditor General will be conducting an audit of the expenditures after the event.

Policing and Security Costs at G8/G20 Summits

The G8/G20 summit is an international gathering of leaders of the world's largest industrialized countries. Hosting these international summits has typically been a very costly undertaking. PBO's research shows that, when adjusted for inflation and exchange rates, the order of magnitude of the total costs of past events, since September 2001, has always been in the hundreds of millions of dollars, with security costs representing on average about 90% of the total event expenditures.

Comparing Costs

The PBO's approach to assessing the reasonableness of the summit costs is similar to the approach used in the private sector for the valuation of a company or an appraisal of a property. This approach

Misleading Comparisons: Full Cost or Partial Cost

An oft-quoted figure has been that the 2009 Pittsburgh G20 Summit spent \$18M on security. During discussions with senior city officials in Pittsburgh, PBO learned that this figure accounted for overtime costs for local and state police as well as salary and expenses for visiting forces from other jurisdictions. However, this figure did not include the deployment of the Army, National Guard, nor preparations and deployment of any of the major intelligence agencies (CIA, FBI, USSS), or costs incurred by other federal agencies such as the State Department and their Diplomatic Security Service or the Department of Homeland Security, which includes the Secret Service, Border Protection and US Coast Guard.

involves building a comparables database. As in the private sector context, there can be significant risks to undertaking a valuation or an assessment of reasonableness using non-comparable data.

A direct comparison of security costs across past summits proves extremely difficult. Full security costs for previous summits are not normally disclosed by host governments¹. PBO's research has relied on a combination of publicly available data as well as discussions with senior officials and security experts in Canada and in other G8 countries, and the efforts have not yet produced a complete and authoritative listing of security costs for past summits.

Costs by Function:

With significant horizontal cooperation across multiple departments, security costs include expenses incurred for military deployment and the aggregate of spending across all intelligence, security, federal and local policing and border protection agencies.

Operating and capital costs:

Depending on the level of existing security infrastructure in the host city, countries may have to incur additional capital expenses in order to host a summit. By way of example, we learned from a discussion with a senior government official that the OPP did not have sufficient two-way radio coverage in Huntsville, which necessitated the building of additional radio towers and other permanent communications infrastructure to meet the security requirements.

Incremental versus base costs:

Our PBO research indicates that countries with a higher level of general security expenditures relative to their population and GDP tend to incur lower incremental costs for hosting a summit (see Figure A-1 for our detailed analysis). The Canadian federal government has indicated that the planned security costs for the G8/G20 summits are incremental to existing departmental base budgets, and that departments were unable to re-allocate resources from their existing budgets.² The U.S. has a law (Title 10) that requires the Department of Defence to re-allocate certain portions of its base funding towards events such as summit security. Less is known about other jurisdictions base vs. incremental summit security costs.

Incremental Spending by the US Secret Service on G8 Summits

In a call with an official from the United States Secret Service, the PBO learnt of the extent of importance of base and incremental funding. The USSS official noted that the incremental costs to their agency for security operations of the 2008 G20 in Washington amounted to only USD\$1 million. This low figure is due to the fact that the USSS has a large program budget of approximately \$1.7 billion, and staffs over 7,000 personnel.

Sources: USSS; Department of Homeland Security Budget-In-Brief 2010.

¹ See Kirton, John et. al., G8 and G20 Summit Costs, G8 and G20 Research Groups, Munk School for Global Affairs University of Toronto

² From the text of a letter to Kevin Page, Parliamentary Budget Officer, from Wayne Wouters, Clerk of the Privy Council, dated June 18 2010.

Drivers of Cost

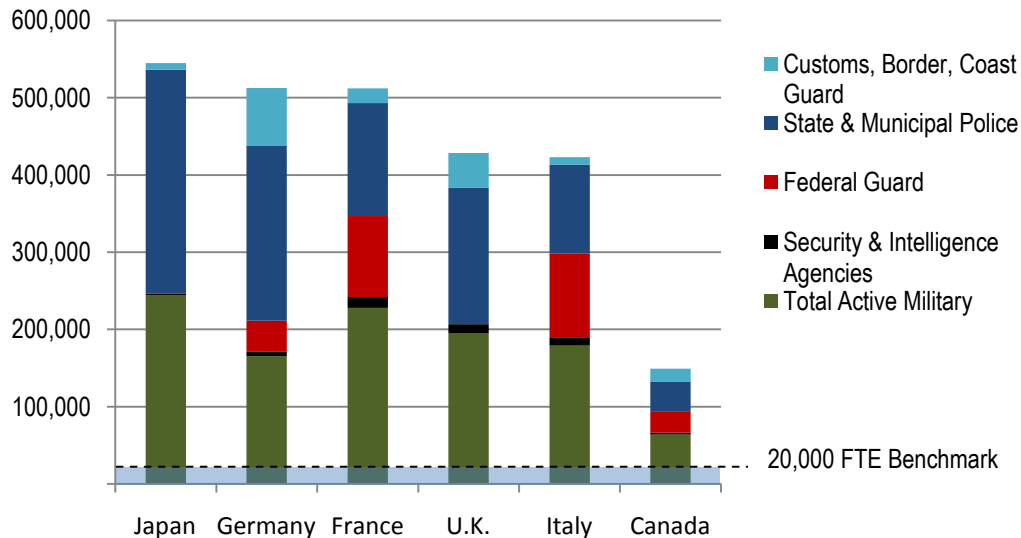
In our discussions with security experts and senior government officials, we have been able to understand some of the significant drivers of security costs for these summits. Annex B provides a description of cost drivers.

PBO research has found that a key cost driver is the relative density of existing security personnel and equipment near the summit venue. Apart from a few very select choices of venues, hosts will need to import personnel from outside jurisdictions to support security operations at a G8 or G20 summit. Depending on the relative density of personnel, this will affect costs in three ways, in relative importance: the total number of personnel needed to complement local security personnel (including travel, expenses and lodging), the average distance inbound personnel will have to travel; and the number of other jurisdictions with whom coordination will be needed.

Figure 1

Total Defence/Security Staffing – G8 Nations

(Active Personnel)



Source: Jane's Information Group; Statistics Canada; Bundazfinanzministerium, Germany; Office of the Parliamentary Budget Officer

Notes: Russian (1.85 million) and American (2.68 million) figures omitted for purposes of scale.

Military figures do not include reserve force. Structure of defence varies respective to nation, roles of customs, border, transport authorities, state police, federal guard and intelligence bodies may overlap depending on definitions and roles.

A typical summit deployment of 20,000 security personnel represents 3.7 to 4.7 percent of available security personnel for most of the G8 countries. For Russia and the United States, the share is significantly

smaller at 1.1 and 0.7 percent, respectively. However, for Canada this deployment represent **13.4%** of its total available defence / security.

An assessment of the dispersion of security personnel (Annex A) illustrates that there is a significant dispersion of security forces in Canada relative to other G8 nations due to its moderately low staffing per capita and comparatively vast size. The United States, though similar to Canada in physical area, staffs nearly double the security personnel per capita, and still maintains a density of 273 personnel/1,000km², compared to only 15 in Canada. At the extreme example, the United Kingdom will have 700 per 100,000 of population and an average of 1,700 personnel/1,000km². London, like Washington, has the benefit of a robust base infrastructure, with experienced personnel in the local metropolitan area sufficient to cover an international summit.

II. Assessment

Transparency

It is the PBO's observation that the Government of Canada has been relatively transparent with regards to the planned "total" security costs of the summits. PBO's research of publicly available information indicates that no other host country has provided summit "total" security costs to this level of detail.

Table 1

Total Security Spending for the 2010 G8 & G20 Summits

Department / Agency	Spending
Royal Canadian Mounted Police	\$ 507,459,400
Public Safety and Emergency Preparedness	\$ 278,310,228
National Defence	\$ 77,570,000
Canadian Security Intelligence Service	\$ 3,137,483
Health	\$ 2,266,619
Canada Border Services Agency	\$ 1,180,070
Transport	\$ 1,240,581
Canadian Air Transport Security Authority	\$ 399,399
Public Health Agency of Canada	\$ 583,330
Industry	\$ 2,839,000
Contingency Reserve (Fiscal Framework)	\$ 55,000,000
TOTAL	\$ 929,986,110

Sources: Privy Council Office

Note: Figures represent planned spending on policing and security activities.

There are issues of transparency on level of detail. For example, it is still unclear how the RCMP will spend its sizeable share of incremental costs of \$475M. Similarly, PSEP will distribute over \$275M in grants and contributions to provincial and municipal bodies, though it is not clear in what proportions to which bodies.

Reasonableness

In an attempt to assess the reasonableness of security costs, the PBO identified unit costs of security personnel deployed as a unit of comparability. Our analysis compared the unit costs of the Royal Canadian Mounted Police, as well as the Canadian Forces, for the 2010 G8 and G20 Summits and the 2002 G8 Summit.

Table 2

Unit Costs of RCMP and Canadian Forces, 2010 G8 & G20 vs 2002 G8 Kananaskis

Department / Agency	2010 G8 & G20			2002 G8 Kananaskis		
	Cost	Units*	Unit Cost	Cost	Units	Unit Cost
<i>RCMP</i>	\$ 507,459,400	5,000	\$ 101,492	\$ 115,063,635	4,500	\$ 25,570
<i>National Defence</i>	\$ 77,570,000	3,000	\$ 25,857	\$ 51,885,000	6,000	\$ 8,648

Sources: Privy Council Office, Department of National Defence.

*PBO Estimate based on consultations with security experts

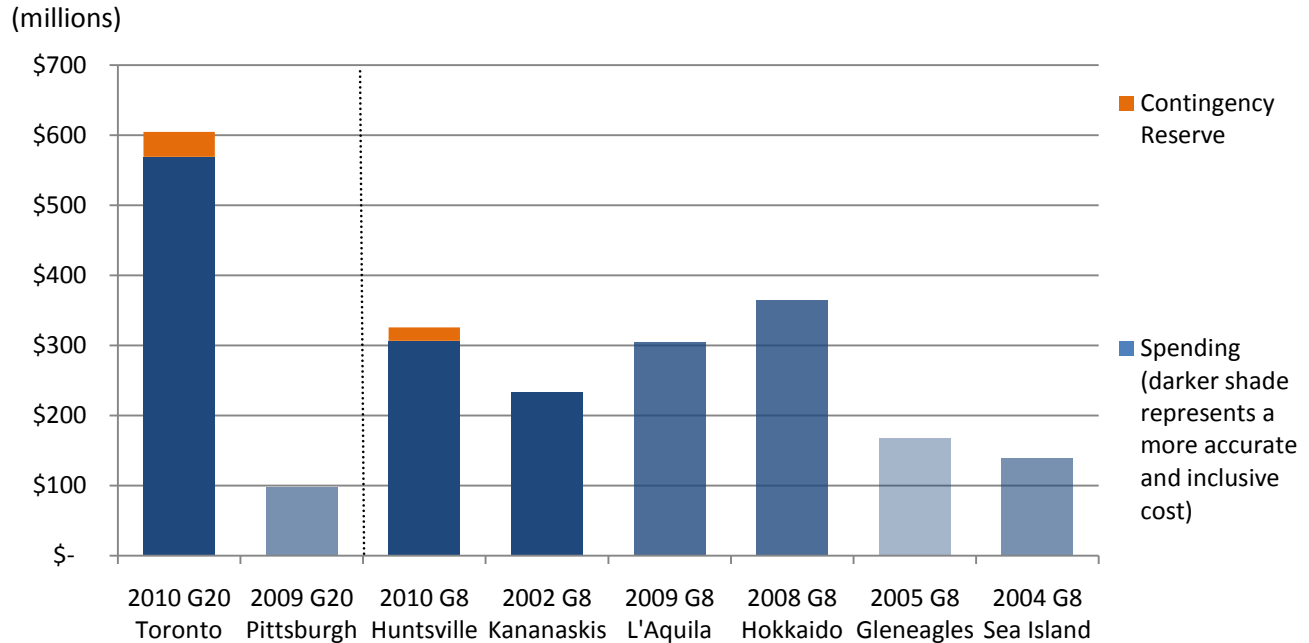
Notes: All figures are in 2010 CAD\$.

Unit costs are estimates due to the fact that total spending of the department was attributed to units – meaning the unit costs include overhead costs and capital expenditures of the department. Unit costs are based on the assumption that personnel are deployed specific to each venue, without major overlap of each summit.

A second indicator of reasonableness for security costs was total security spending across past summit events. The PBO identified several summits as comparables to the 2010 G8 and G20 Summits. These summits all have unique sets of cost drivers and related sensitivities; although at a high-level it is possible to compare total security costs across summit events.

Figure 2

Security Spending of Comparable G8 and G20 Summits



Source: Privy Council Office (2010 G20 Toronto, 2010 G8 Huntsville, 2002 G8 Kananaskis); Crumpton Group LLC, US Secret Service, US Department of Homeland Security, US Department of State, City of Pittsburgh (2009 G20 Pittsburgh, 2004 G8 Sea Island); Government of Italy, <www.g8italia2009.it> (2009 G8 L'Aquila); Nomura Research Institute Ltd., Ministry of Foreign Affairs, Japan (2008 G8 Hokkaido); UK House of Commons Library Research Service (2005 G8 Gleneagles)

Notes: All figures are in 2010 CDN\$ - adjusted for foreign exchange and inflation.
 Spending split of 65/35 percent based on PBO estimate based on consultations with security experts
 Figures for 2010 G8 Toronto and 2010 G20 Huntsville are planned spending figures. All other figures are estimates of actual spending.
 Figures for 2009 G20 Pittsburgh and 2004 G8 Sea Island were noted (by Crumpton Group) as not comprehensive and not all inclusive; these figures do not include purchase and/or lease of new equipment as well as transportation costs for equipment and personnel.
 Figures for 2005 G8 Gleneagles do not include costs of military and national intelligence security activities.

Conclusion

Good comparable data for assessing the security costs of a G8 or G20 summit is difficult to assemble, and there are many different drivers of security costs that need to be taken into account when trying to compare summit costs across jurisdictions.

At a high level, PBO research suggests that the security costs for the G8 summit at Huntsville is an order of magnitude larger than the G8 summits at Kananaskis and Sea Island, but is within range when compared

to summits in Hokkaido and Aquila. Because of the lack of comparable data, it is not possible to compare Toronto with previous G20 meetings.

The allocation per FTE is another unit of comparability that can be used to assess the reasonableness of costs. The unit cost allocation for the RCMP for Huntsville has increased by a factor of 4, while the same unit cost allocation for the Canadian Forces has increased by a factor of 3. It is also apparent from the data that unit cost allocation for the RCMP is significantly higher than for the Canadian Forces. These are significant unexplained variances, and a more detailed breakdown of how the allocated funds are to be spent might help explain these variances.

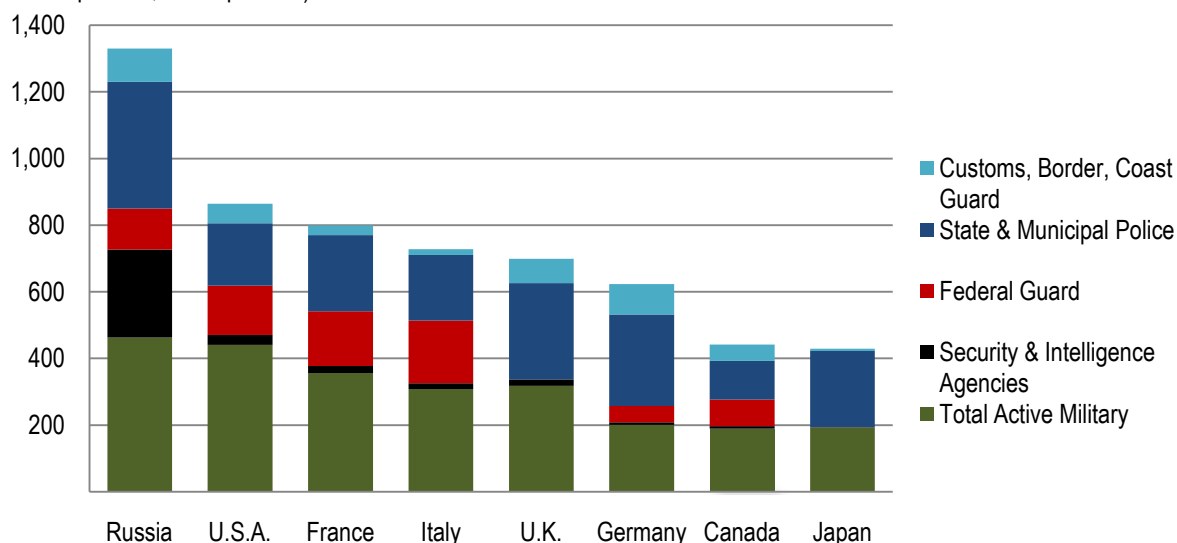
Finally, PBO research shows that the United States has a significantly larger security and defence infrastructure than Canada, and the US Government hosts several National Security Special Events every year, including the Super Bowl, the State of the Union, the UN General Assembly, and IMF/World Bank summits as examples. This provides the US with a significant cost advantage when it comes to hosting G8 or G20 summits because most of the funding required for these events comes from existing programs. Locations with these advantages are not good comparables for assessing Canadian summit costs.

Annex A: Density and dispersion of Security Personnel in the G8 countries

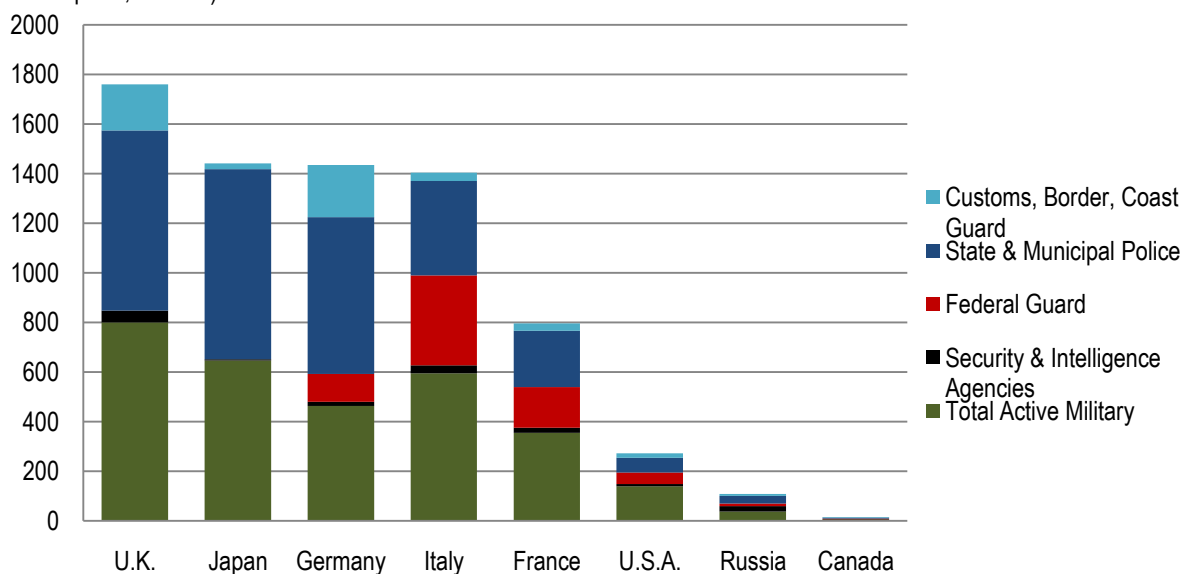
Figure A-1

Defense Staffing – G8 Nations

(Personnel per 100,000 Population)



(Personnel per 1,000 km²)



Source: Jane's Information Group; CIA World Factbook (pop. and area statistics); Statistics Canada; Bundazfinanzministerium, Germany; Office of the Parliamentary Budget Officer

Notes: Military figures do not include reserve force. Structure of defence varies respective to nation; roles of customs, border, transport authorities, state police, federal guard and intelligence bodies may overlap depending on definitions and roles.

Annex B: Cost Drivers of Summit Security

The following set of cost drivers were derived through consultations with security experts. This list is not exhaustive and the sensitivity of cost drivers varies.

Overall Threat Assessment

The threat assessment is usually done by the home security agency, CSIS in Canada's case, and typically involves consultations with other major governments. For example, for the Commonwealth Games in Delhi in October, the Indian government has been consulting with the UK, Canada, Australia, and the US.

Known, Specific, Credible Threats

Overall rating is a composite, but there are specific elements to threat assessment. For the G8 and G20 Summits in 2010, protesters would be considered a known threat and a portion of security operations would be geared to countering this specific threat. The types of specific threats dictate how many and what types of security personnel and equipment are deployed (police, SWAT teams, snipers, special forces, etc.).

Number and Types of Venues

The greater the number of venues to protect, the greater the cost of security. The types of venues – not as straight forward – involves assessing the number and type of entrances to the venue, the proximity of other buildings, amount of space to set up perimeter security, underground vehicle access, city versus rural venue. It is easier to protect buildings that are on their own; away from other buildings; have lots of open space; have a good eyes view of approaching vehicles, people etc.

Duration

The greater the length of the event, the higher the costs of security. Another consideration involves the length of stay for different members of delegations. i.e. 2 days for leaders, 1 week for finance, 2 weeks for visiting security forces and sherpas, etc.

Lockdown Period

The length of time you have exclusive access to the venue and are protecting it from any unauthorized access – may be weeks or even months prior to the event dates. There is a financial cost to the lockdown period. Locking down accommodations for a significant period is relatively expensive.

Past Use

If the event uses a repeat venue there would be lots of previous planning material to draw on versus a new venue that had never been used before. Relevant or similar past events at a venue can significantly reduce the overall costs of security.

Transportation

The length, frequency and type of transportation used by primary targets will heavily dictate security costs. Transportation also relates to the type of venue, in that rural venues will require longer distances travelled, where city venues may be considered higher risk transportation.

Primary Targets

“Primary targets” generally relates to the number and nature (risk) of national leaders or other internationally protected persons that will be attending the venue. A G8 will have less primary targets than a G20, however the G8 primary targets can be higher profile in terms of security.

Secondary Targets

Aside from nation leaders or equivalents, there is typically a list of secondary (or soft) targets. It is a security policy decision that decides how many and what types of secondary targets would be protected.

Number and Nature of Delegations (Other Attendees)

The primary and secondary targets have large delegations that travel with them to these events. The number, size and nature of these delegations drive costs significantly. Delegations usually include - Finance Ministers, Bank Heads, Deputies, Sherpas, and their staff. (Some of these persons may be considered primary or secondary targets.) Other attendees that need to be considered in security estimates include the media, protestors and local population.

Temporary Overlay

Examples of temporary overlay requirements include screening stations, perimeter barriers and fences, accreditation systems, road barriers. There can be significant costs to identify, procure, receive, and store these temporary requirements.

Community Disruption

Security operations can cause considerable disruptions to the community and surrounding businesses. The opportunity loss in some cases deserves compensation, which in turns drives up the cost. Road closures, traffic disruptions, areas of the city blocked off, special holidays, reduction in business (taxies or restaurants in the affected areas, etc.) are just some examples. Likewise there can be an influx in tourists, protestors and media which amplify the disruptions.

Security Culture

There is a certain culture in the security field which is basically “not in my backyard”. This tends to increase the costs over time, as governments justify any and all spending for any reduction in security risk. This type of culture has made it extremely difficult to derive the cost-benefit of security measures; what is necessary and what is less-than-necessary.

Security Outcome

Another important consideration for security costs is the end result; the occurrence and nature of incidents; the sense of presence of security. The reason past events may have proved cheap is because they were, and the risk was there, whether incidents occurred or not. (This is not necessarily a cost driver, but an ad hoc consideration of assessing security costs.)

Annex C: U.S. Research³

Table C-1.

Estimated Spending and Personnel Levels – Pittsburgh G20 and Sea Island G8 Summits

Department	G8 Sea Island (2004)		G20 Pittsburgh (2009)	
	Personnel	Total Cost (000s)	Personnel	Total Cost (000s)
National Guard	6,800	\$40,691	2,500	\$34,982
Local and State Police, FBI	5,400	\$39,916	4,200	\$22,805
Diplomatic Security	200	\$836	200	\$627
Secret Service	500	\$2,090	600	\$1,881
Various IC sources	75	\$1,319	125	\$2,274
Other Security Personnel	500	\$2,404	500	\$1,792
USSS NSSE Non-Personnel		\$13,857		\$5,514
Combat Air Patrol		\$38,460		\$28,845
Totals	13,475	\$139,573	8,125	\$98,719

Sources: Crumpton Group; Parliamentary Budget Officer.

Notes: Figures provided should not be considered as comprehensive and all inclusive costs. Figures do not include purchase and/or lease of new equipment or transportation costs for equipment and personnel.

Duration of G-20 was two days vs. three for Sea Island.

Unfortunately, no central authority has comprehensive cost figures as security was coordinated through multiple agencies with their own cost centers, accounting methods, and budgets. According to discussions with experts, the majority of security costs associated with hosting the events are personnel related, as the numbers deployed are fairly significant. Equipment costs are very volatile because these costs depend on what is available at the venue versus what must be transported from outside jurisdictions. Also, the type of venue (city center, isolated island or mountain resort) will have a major effect on secondary cost drivers.

It can be said that there was substantially less Department of Defense support in Pittsburgh than at Sea Island, because there was less of an operational need with a more robust local and state law enforcement pool to draw from, both in terms of personnel and equipment.

In case of Sea Island, roughly 15 locations were analyzed and Sea Island was selected due to the security offered (e.g., only one road connecting the island). Also, Sea Island was the first post 9/11 G8 event to be held in the U.S. and significant consideration was given to heavy protest from anarchists at the 2001 summit in Genoa, Italy. Security was the main driver of venue selection. The overall security plan placed enormous emphasis on ensuring that air, land, and sea evacuation routes were kept viable at all times.

³ The Crumpton Group, Washington, D.C.; Information obtained from interviews with personnel involved, security experts, CG estimates and open source searches