



## Main Estimates 2013-14

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Ottawa, Canada  
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[www.pbo-dpb.gc.ca](http://www.pbo-dpb.gc.ca)

**Key Points of this Note:**

- This note highlights items in the 2013-14 Main Estimates that may warrant more detailed scrutiny by parliamentarians, owing to their fiscal materiality or risk.
- The Estimates present the Government of Canada's \$253 billion spending plan for the coming fiscal year. This represents a 3 per cent decrease compared to the \$259 billion in total authorities sought from Parliament in 2012-13 and reflects the medium-term fiscal strategy to return to balanced budgets.
- Overall, \$5 billion in increases in major transfers to persons and other levels of government are more than offset by an \$11.7 billion decline in authorities for direct program expenditures (DPE). Reductions in planned operating expenditures are widespread across most departments and agencies
- When examined by major components of expenditure, personnel spending are forecast to decline 5 per cent to \$37.4 billion and capital expenditures to rise 2 per cent to \$6.6 billion. As well, planned expenditures on Internal Services are anticipated to decrease 2 per cent to \$9.4 billion.
- The Integrated Monitoring Database will be updated with Main Estimates data after the release of this publication: [www.pbo-dpb.gc.ca](http://www.pbo-dpb.gc.ca).

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## 1. Context

The Parliamentary Budget Officer's (PBO) legislative mandate includes research and analysis regarding the Government of Canada's (Government) Estimates.<sup>1</sup> To implement this aspect of the mandate, the PBO reviews the Estimates and highlights proposed adjustments that warrant detailed scrutiny, including:

- i. Proposed changes to authorities that are financially material to adjustments in the federal budget balance; and,
- ii. Proposed changes to authorities that represent significant growth compared to the status quo.

## 2. Main Estimates 2013-14

The Main Estimates propose \$253 billion in spending in the 2013-14 fiscal year, a 3 per cent decline from the total authorities sought in 2012-13 (\$259 billion, Figure 2-1). The decline is attributable to reductions in non-statutory authorities (12 per cent), while statutory authorities are anticipated to grow (3 per cent).

**Figure 2-1**

**Estimates and Expenditures 2011-12 to 2013-14: Budgetary Authorities (\$B)**

	Statutory	Non-Statutory	Total
2011-12	158.13	89.72	247.85
2012-13	160.39	98.65	259.03
2013-14	165.48	87.06	252.54

Sources: *Main Estimates 2013-14*.

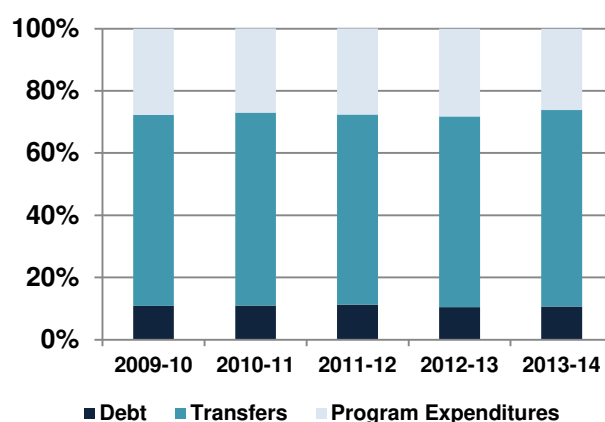
Notes: Figures for 2011-12 represent actual expenditures; figures for 2012-13 are cumulative authorities; figures for 2013-14 are Main Estimates.

The overall composition of Budgetary Authorities has remained relatively unchanged during the past five years (Figure 2-2), with debt interest charges stable, transfer payments growing slightly, and program expenditures declining marginally.

**Figure 2-2**

**Composition of Budgetary Authorities: 2009-10 to 2013-14**

*Share of Total*



Sources: Public Accounts of Canada 2009-10 to 2011-12, *Main Estimates 2013-14*.

Notes: Figures for 2011-12 represent actual expenditures; figures for 2012-13 are cumulative authorities; figures for 2013-14 are Main Estimates.

At the same time, when measured in nominal dollars, the proposed expenditure plan for 2013-14 does reflect the medium-term restraint announced by the Government in Budget 2012. In particular, while major transfers to other levels of government and individuals are estimated to increase compared to total authorities granted in 2012-13 (approximately \$2.5 billion each), this is expected to be more than offset by decreases in Direct Program Expenditures (approximately \$11.7 billion), for a net decline of \$6.5 billion (Figure 2-3).

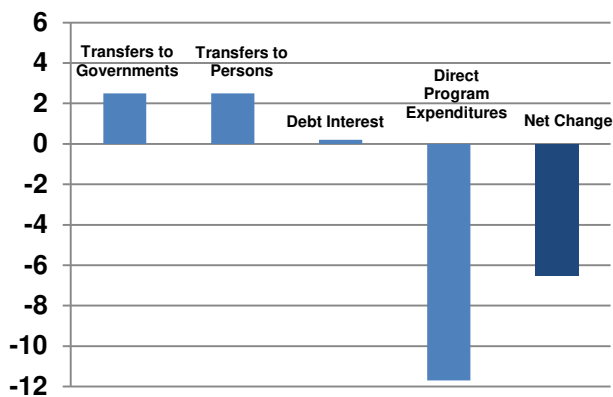
<sup>1</sup> <http://laws-lois.justice.gc.ca/eng/acts/P-1/FullText.html?term=79.2>. Accessed March 2013.

The Fall 2012 Update of Economic and Fiscal Projections indicated that Direct Program Expenses will fall in 2013-14 compared to 2012-13, and decline as a share of GDP over the medium-term.

**Figure 2-3**

**Composition of Changes in Budgetary Authorities (Year-Over-Year)**

\$ Billions



Sources: *Main Estimates 2013-14*.

Notes: Comparison between 2012-13 cumulative Estimates to date and 2013-14 Main Estimates.

*i. Top 10 Changes to Authorities*

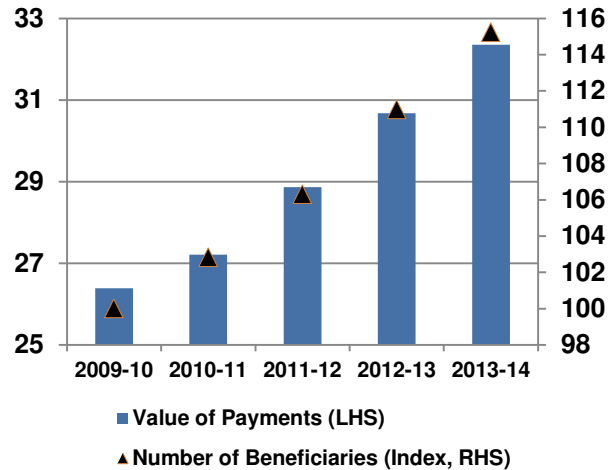
The 10 largest changes in authorities, as measured by nominal dollars, are presented in Table 1. As noted earlier, the most substantial increases are linked to statutory transfer payment programs, such as Old Age Security (OAS). OAS payments represent one of the largest year-over-year increases, rising \$1.7 billion (5 per cent). Growth in the value of payments is driven by the automatic inflation escalator that maintains the real value of OAS benefits, as well as growth in the number of beneficiaries (Figure 2-4).

**Figure 2-4**

**Old Age Security: Total Authorities**

\$ Billions

Index of Beneficiaries

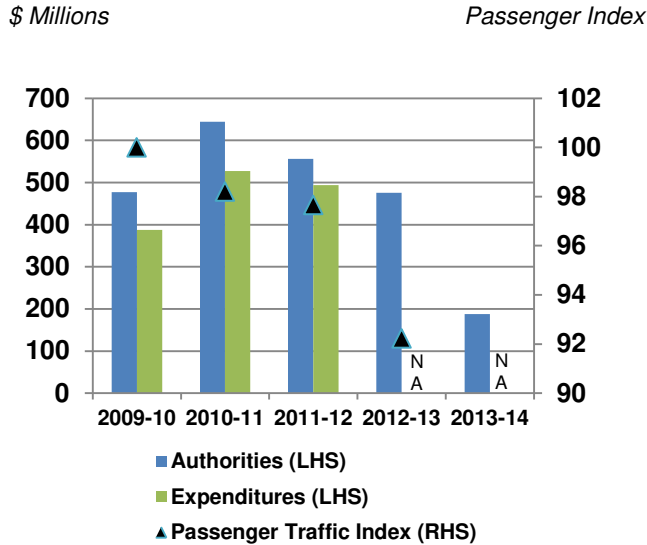


Sources: *Expenditures and Authorities*: Public Accounts of Canada 2009-10 to 2011-12, *Main Estimates 2013-14*. *Beneficiaries*: Service Canada. Office of the Superintendent of Financial Institutions.

Notes: Actual figures for 2009-10 to 2011-12. Estimated or forecast figures for 2012-13 and 2013-14.

Table 2 lists the greatest changes in authorities, as measured in per cent. Many of these items reflect program or policy changes that were announced over the past fiscal year. This includes a decline in VIA Rail's program expenditures authorities from \$476 million in 2012-13 to \$188 million (61 per cent), reflecting a decision to "realign" some services to meet customer needs (Figure 2-5).

VIA Rail passenger traffic has declined from 2009-10 to 2011-12, and is anticipated to further decrease to 3.9 million in 2012 from 4.1 million in 2011.

**Figure 2-5****VIA Rail: Program Expenditure Authorities**

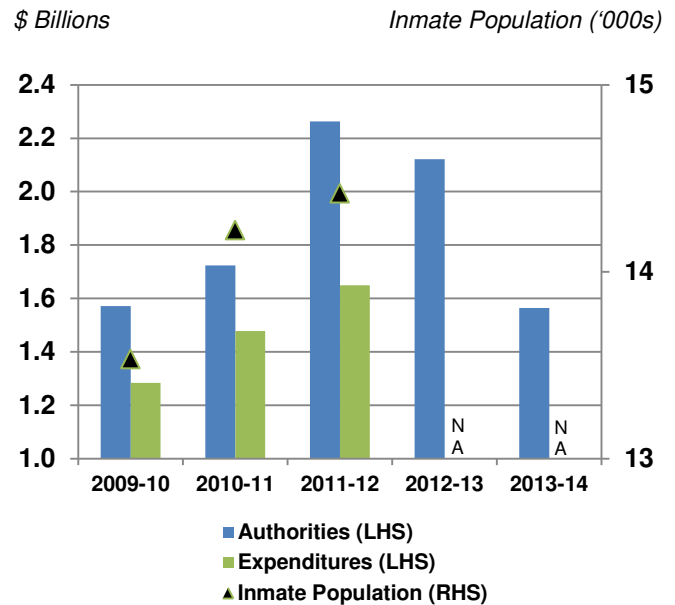
Sources: *Expenditures and Authorities*: Public Accounts of Canada 2009-10 to 2011-12, *Main Estimates* 2013-14. *Passengers*: VIA Annual Reports, *Main Estimates* 2013-14.

Notes: Actual figures for 2009-10 to 2011-12. Estimated or forecast figures for 2012-13 and 2013-14.

## ii. Authorities by Program Activity

Table 3 highlights the largest dollar changes in authorities contained in these Estimates on the basis of the Government's Program Alignment Architecture (PAA), relative to 2012-13. As the Government does not publish changes to the PAA authorities in the Supplementary Estimates, figures presented in Table 3 are calculated by comparing the Main Estimates for each respective year.

While many of the changes reflect planned spending increases stipulated by legislation, there are several that reflect changes in the underlying cost drivers for programs. For example, the Correctional Service of Canada is seeking authorities \$557 million lower than the previous year for the CSC's Custody program. While the inmate population grew between 2009-10 and 2011-12, the Main Estimates note that the Government's original inmate population growth forecast linked to various legislative reforms has not materialized. As a result, funding requirements for this program have been revised downward (Figure 2-6).

**Figure 2-6****Correctional Services Canada: Operating Authorities and Expenditures<sup>2</sup>**

Sources: *Expenditures and Authorities*: Public Accounts of Canada 2009-10 to 2011-12, *Main Estimates* 2013-14. *Inmate Population*: Correctional Service of Canada.

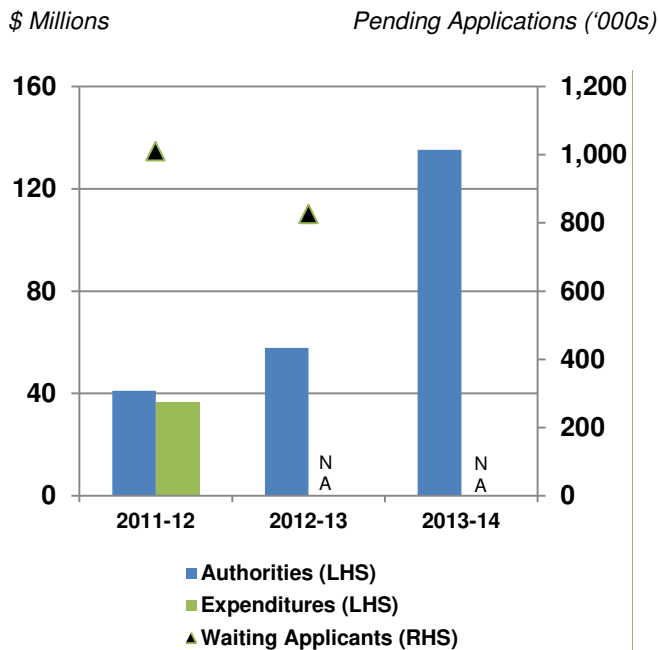
Notes: Estimated or forecast figures for 2012-13 and 2013-14.

<sup>2</sup> Inmate count figures are at fiscal years end.  
[http://www.publicsafety.gc.ca/res/cor/rep/\\_images/ccrso2012/ccrso-img-c2-eng.jpg](http://www.publicsafety.gc.ca/res/cor/rep/_images/ccrso2012/ccrso-img-c2-eng.jpg). Accessed March 2013.

Table 4 presents the largest changes to programs as measured by a year-over-year percentage basis. As depicted in Figure 2-7, one of the most substantial increases relates to Citizenship and Immigration's Permanent Economic Residents program (134 per cent, \$77 million). This growth reflects policy changes announced over the past year, which resulted in additional authorities sought in 2013-14 to reimburse processing fees for applicants for terminated Federal Skilled Worker applications.

**Figure 2-7**

**Citizenship and Immigration: *Permanent Economic Residents Program***



Sources: *Expenditures and Authorities*: Public Accounts of Canada 2011-12, *Main Estimates* 2013-14. *Pending Applications*: Citizenship and Immigration Canada.

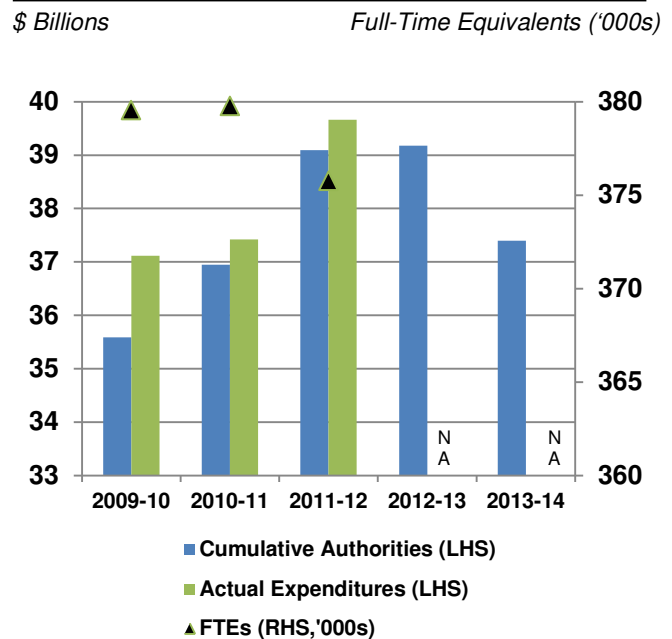
Notes: Pending Applications figure for 2011-12 is of December 31, 2011. Pending Applications figure for 2012-13 is up to September 30, 2012.

*iii. Major Components of Expenditures*

Personnel expenditures are estimated to decline \$1.8 billion (5 per cent) in 2013-14, compared to 2012-13 (Figure 2-8). While total "Full-Time Equivalents" decreased between 2009-10 and 2011-12, Budget 2012 announced that the Government would further reduce its workforce by 19,200 positions between 2012-13 and 2014-15. In addition, personnel spending in 2011-12 and 2012-13 was temporarily boosted by non-recurring costs arising from benefit payouts linked to some amended collected agreements.

**Figure 2-8**

**Personnel Authorities<sup>3</sup>**



Sources: *Expenditures and Authorities*: Public Accounts of Canada 2011-12, *Main Estimates and Supplementary Estimates* 2012-13 and 2013-14. *Full-Time Equivalents*: Treasury Board Secretariat of Canada.

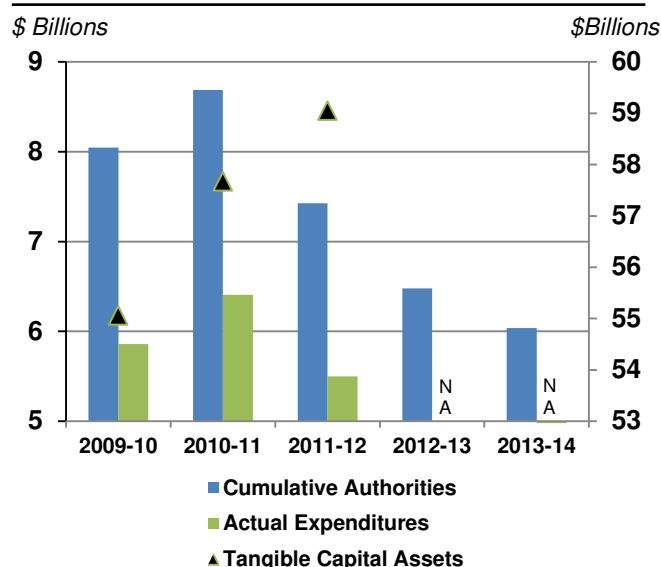
Notes: Full-Time Equivalents figures are as of March 2010, 2011 and 2012, respectively.

<sup>3</sup> FTE figures are calculated by PBO using a methodology outlined in the "Fiscal Impact of Federal Personnel Expenses". [http://www.pbo-dpb.gc.ca/files/Fed%20Personnel%20Expenses\\_EN.pdf](http://www.pbo-dpb.gc.ca/files/Fed%20Personnel%20Expenses_EN.pdf). Accessed March 2013.

Planned acquisitions of machinery, equipment and land are anticipated to fall by approximately \$440 million to \$6 billion in 2013-14 (7 per cent), compared to total authorities in 2012-13 (Figure 2-9). Planned expenditures have returned to levels prior to the Economic Stimulus Plan of 2009-10, which contributed to an increase in the tangible capital assets of the Government from approximately \$55 billion in 2009-10 to \$59 billion in 2011-12.

**Figure 2-9**

**Acquisitions of Land, Machinery and Equipment**



Sources: *Expenditures and Authorities*: Public Accounts of Canada 2009-10 to 2011-12, *Main Estimates and Supplementary Estimates* 2012-13 and 2013-14. *Tangible Capital Assets*: Public Accounts of Canada 2009-10 to 2011-12.

Notes: Tangible Capital Assets measured at fiscal year-end.

Planned expenditures on Internal Services are expected to decrease by 2 per cent to \$9.4 billion in 2013-14 (Figure 2-11). This is the first decrease in the past five years that the PBO has tracked this data series. While planned nominal spending is lower, Internal Service spending as a share of Program Expenditures rose between 2009-10 and 2011-12.

**Box 2-10**

**Calculating Internal Services**

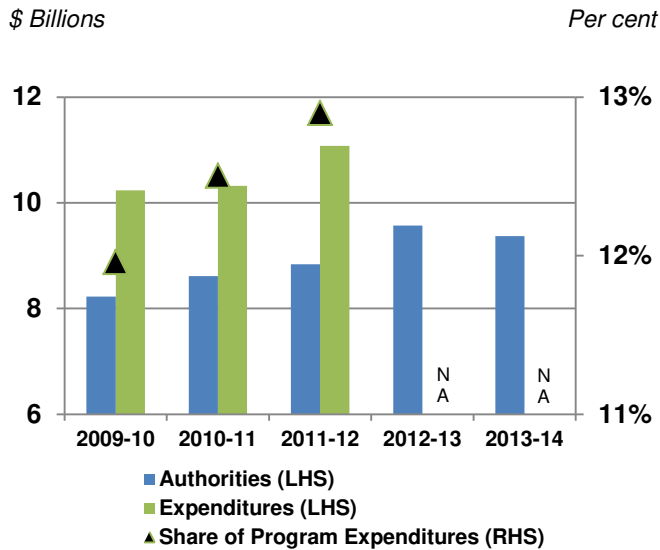
Virtually all federal departments and agencies have an “Internal Service” program, which according to the 2012-13 Main Estimates is a “group of related activities and resources administered to support the needs of programs and other corporate obligations of an organization”.

The Government has never defined or explained how to calculate “back office”, which was the primary focus of the Budget 2012 spending reduction package. As such, the PBO has tracked expenditures in this program to make inferences regarding trends in “overhead” spending – spending not directly related to front-line service delivery.

The PBO calculates Internal Service spending and authorities by federal organization, as follows:

- Actual spending is calculated for each federal organization using the total expenditure on the Internal Services program activity. An adjustment is made for net revenues, unless internal services are provided to another federal organization.
- Authorities information is sourced from the Main Estimates using a similar approach.
- As well, in 2011-12, funding was transferred from IT-related Internal Services across most departments and agencies to create Shared Service Canada (SSC). Hence, for 2011-12 onward net spending from SSC is also included.

A spreadsheet with all calculations and inputs is posed under the [‘Research Resources’](#) tab of the PBO web site.

**Figure 2-11****Internal Services Spending\***

Sources: *Expenditures and Authorities*: Public Accounts of Canada 2009-10 to 2011-12, *Main Estimates 2012-13* and *2013-14*.

Notes: Authorities and expenditures include total net spending by Shared Services Canada, which was established in 2011-12.

\*Figures have been updated to reflect [errata](#) in the Public Accounts of Canada 2011-12 regarding Internal Services spending.

**3. Conclusion**

Parliamentarians may wish to seek further details on the items in the Government's expenditure plan exhibiting the greatest changes in value or per cent (e.g. the \$3.2 billion decrease in operating authorities at DND).

More details regarding the proposed changes in budgeted authorities will be presented in Part III of the Estimates: *Reports on Plans and Priorities*, which have not yet been tabled.



**Table 1. Largest \$ Changes in Authorities: Main Estimates compared to 2012-13 Total Authorities to date<sup>1</sup>**

<b>Organization</b>	<b>Authorities</b>	<b>\$ Δ (000s)</b>	<b>% Δ</b>	<b>Explanation from Estimates Part II</b>
National Defence	<b>Operating expenditures</b>	<b>-3,261,063</b>	<b>-20%</b>	<i>Reflects the 2010 Strategic Review; Budget 2012 Spending Review and expiring authorities for the Canada First Defence Strategy.</i>
Finance	<b>Canada Health Transfer</b>	<b>1,714,139</b>	<b>6%</b>	<i>Planned statutory increase.</i>
Human Resources and Skills Development	<b>Old Age Security payments</b>	<b>1,672,622</b>	<b>5%</b>	<i>Changes in the average rate of payment and beneficiaries.</i>
Infrastructure	<b>Contributions</b>	<b>-1,276,392</b>	<b>-25%</b>	<i>Adjusted cash flow requirements of the Building Canada Fund.</i>
Finance	<b>Sales Tax Harmonization Transfer</b>	<b>723,000</b>	<b>95%</b>	<i>Assistance to Quebec and Prince Edward Island as part of sales tax coordination.</i>
Finance	<b>Fiscal Equalization</b>	<b>682,691</b>	<b>4%</b>	<i>Planned statutory adjustment.</i>
Transport	<b>Grants and contributions</b>	<b>-645,182</b>	<b>-54%</b>	<i>Reflects changing cash flow requirements of the Gateways and Border Crossings Fund.</i>
Human Resources and Skills Development	<b>Guaranteed Income Supplement Payments</b>	<b>588,759</b>	<b>6%</b>	<i>Changes in the average rate of payment and beneficiaries.</i>
Correctional Services	<b>Operating expenditures</b>	<b>-387,572</b>	<b>-16%</b>	<i>Lower than projected inmate population growth.</i>
Finance	<b>Canada Social Transfer</b>	<b>355,785</b>	<b>3%</b>	<i>Planned statutory increase.</i>

1. All budgetary authorities listed in the 2013-14 Main Estimates with total authorities above \$10 million.

**Table 2. Largest % Changes in Authorities: Main Estimates compared to 2012-13 Total Authorities to date<sup>1</sup>**

Organization	Authorities	\$ Δ (\$000s)	% Δ <sup>2</sup>	Explanation from Estimates Part II
Transport	Capital expenditures	115,805	109%	Planned land acquisition for the Detroit River International Crossing.
Finance	Sales Tax Harmonization Transfer	723,000	95%	Assistance to Quebec and Prince Edward Island as part of sales tax coordination.
Shared Services Canada	Capital expenditures	77,235	76%	None.
Natural Resources	Newfoundland Offshore Petroleum Revenue Fund	491,646	76%	Anticipated increase in offshore royalties due to volume and/or oil prices.
Atomic Energy of Canada Limited	Operating and capital expenditures	-243,165	-70%	In context of restructuring, partial funding provided through Main Estimates.
Canadian Space Agency	Capital expenditures	110,461	68%	Increased expenditures for RADARSAT Constellation Mission.
Agriculture and Agri-Food Canada	Grants and contributions	-405,634	-64%	Reflects Growing Forward 2 cost-share agreement with provincial-territorial partners.
Natural Resources	Payments for NS Offshore Petroleum Resources	-35,315	-61%	Required statutory payments to the fund have declined.
VIA Rail Canada	Program expenditures	-287,868	-61%	Realignment of long-haul and south-western Corridor services.
Natural Resources	Divestiture of Atomic Energy of Canada Limited	-165,632	-60%	Reflects decreasing requirements for closing out the legal obligations under the former CANDU Reactor Division of AECL.
1. All Authorities listed in the 2013-14 Main Estimates with total authorities above \$10 million; excluding non-budgetary items.				
2. The growth rate is calculated as the percentage change relative to 2012-13 Total Cumulative Authorities.				

**Table 3. Largest \$ Changes in Programs: 2013-14 Main Estimates compared to 2012-13 Main Estimates<sup>1</sup>**

<b>Organization</b>	<b>Program Activity</b>	<b>\$ Δ (000s)</b>	<b>% Δ<sup>2</sup></b>	<b>Explanation from Estimates Part II</b>
Finance	<b>Transfer and Taxation Payment Programs</b>	<b>3,939,294</b>	<b>7%</b>	<i>Planned statutory increases to major transfers to provinces and territories.</i>
Human Resources and Skills Development	<b>Income Security</b>	<b>2,676,656</b>	<b>7%</b>	<i>Increases in transfer payment programs arising from ageing population.</i>
Finance	<b>Treasury and Financial Affairs</b>	<b>-1,721,500</b>	<b>-6%</b>	<i>Reduction in interest rate forecast compared to previous year.</i>
Office of Infrastructure	<b>Building Canada Fund - Major Infrastructure Component</b>	<b>-1,022,164</b>	<b>-52%</b>	<i>Adjusted cash flow requirements.</i>
Correctional Service	<b>Custody</b>	<b>-556,562</b>	<b>-26%</b>	<i>Lower than projected inmate population growth.</i>
Transport	<b>Gateways and Corridors</b>	<b>-524,554</b>	<b>-49%</b>	<i>Reflects changing cash flow requirements.</i>
National Defence	<b>Equipment Acquisition and Disposal</b>	<b>-324,980</b>	<b>-11%</b>	<i>None.</i>
Aboriginal Affairs and Northern Development	<b>Co-operative Relationships</b>	<b>-320,463</b>	<b>-45%</b>	<i>Reduction in cash flow for negotiation, settlement and implementation of specific claims.</i>
Public Works and Government Services	<b>Accommodation and Real Property Assets Management</b>	<b>270,308</b>	<b>16%</b>	<i>None.</i>
National Defence	<b>Land Readiness</b>	<b>-246,735</b>	<b>-7%</b>	<i>None.</i>

1. All budgetary authorities listed in the 2013-14 Main Estimates with total authorities above \$10 million.

2. The growth rate is calculated as the percentage change relative to 2012-13 Total Authorities

**Table 4. Largest % Changes in Programs: 2013-14 Main Estimates compared to 2012-13 Main Estimates<sup>1</sup>**

<b>Organization</b>	<b>Program Activity</b>	<b>\$ Δ (000s)</b>	<b>% Δ<sup>2</sup></b>	<b>Explanation from Estimates Part II</b>
Western Economic Diversification	<b>Community Economic Growth</b>	36,233	<b>174%</b>	<i>Community Infrastructure Improvement Fund and Program Architecture re-alignment.</i>
Citizenship and Immigration	<b>Permanent Economic Residents</b>	77,425	<b>134%</b>	<i>Reimbursement of fees for certain terminated Federal Skilled worker applications.</i>
Public Works and Government Services	<b>Federal Pay and Pension Administration</b>	35,167	<b>120%</b>	<i>Upgrade and consolidation of federal pension and pay administration.</i>
Correctional Service	<b>Internal Services</b>	196,705	<b>114%</b>	<i>None.</i>
Canadian Space Agency	<b>Space Data, Information and Services</b>	132,590	<b>85%</b>	<i>Increased expenditures for RADARSAT Constellation Mission.</i>
Agriculture and Agri-Food	<b>Rural and Co-operatives Development</b>	-15,979	<b>-80%</b>	<i>None.</i>
Agriculture and Agri-Food	<b>On-Farm Action</b>	-102,278	<b>-78%</b>	<i>Renewal of funding for agricultural policy framework anticipated later this year.</i>
National Research Council	<b>Industrial Research Assistance</b>	117,252	<b>72%</b>	<i>Planned increase announced in Budget 2012.</i>
Agriculture and Agri-Food	<b>Agri-Business Development</b>	-36,694	<b>-72%</b>	<i>Renewal of funding for agricultural policy framework anticipated later this year.</i>
Canada School of Public Service	<b>Internal Services</b>	9,465	<b>71%</b>	<i>None.</i>

1. All Authorities listed in the 2013-14 Main Estimates with total authorities above \$10 million; excluding non-budgetary items.

2. The growth rate is calculated as the percentage change relative to 2012-13 Total Authorities