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## COUNCIL OF DEPUTY MINISTERS RESPONSIBLE FOR TRANSPORTATION AND HIGHWAY SAFETY GOVERNANCE REVIEW UPDATE

### Issue

Update on and implications for TAC pending actions taken by the Council of Deputy Ministers Responsible for Transportation and Highway Safety with respect to its secretariat services.

### Background

In the early 1980s, TAC's Board of Directors included as its core members all the Deputy Ministers of Transportation and Highway Safety, as well as representatives of municipalities, other associations, and the private sector. Government members identified a need to have a forum for their own issues and, accordingly, arrangements were made for them to meet separately on the day following the TAC Board meeting. Thus, the Council of Deputy Ministers was first formed, and TAC has provided secretariat services for the Councils of Ministers and Deputy Ministers since that time.

The nature of this support has changed over the years in keeping with the needs of the Councils, direction they have provided and criteria which they have established. Each year TAC has prepared and presented a work plan and budget proposal for provision of secretariat support for the next fiscal year for approval by the Council of Deputy Ministers at its annual spring meeting. Once approved by the Council of DMs, the annual work plan and budget proposal has been considered an agreement in good faith between TAC and the Council for provision of staff, office and support services. As the Council of Deputy Ministers is not a legal entity, it has not been possible to establish more formal service agreements between TAC and the Council.

The TAC Secretariat has strived to be neutral, professional and efficient in supporting the needs of the Council, and respectful of the sensitive nature of intergovernmental discussions and undertakings. In the early 2000s the Council directed that a clearer division be made within the TAC Secretariat to ensure confidentiality and avoid any potential perception of conflict of interest. As a result, a Program Director's position was established to work solely for the Council and whose payroll cost was borne entirely by the Council's annual budget. In 2015 the Council directed that the "firewall" be strengthened further, with TAC's Executive Director no longer serving as Secretary to the Councils, and the Council's Program Director becoming the Executive Director and Secretary and reporting directly to the Councils of Ministers and DMs.

Since being invited by the Council of Deputy Ministers to provide secretariat support, TAC has made both short and longer term commitments over the past 35 years to address the Council's needs based on good faith assumptions and regular reassurances that the relationship would continue. In April 2019, that assurance was reiterated to the TAC Board of Directors by Shaun Hammond, who was working on behalf of the Council on a governance review project.

During the July 2019 meeting of the Council, following an in camera discussion about the governance review project, the Council's direction regarding its secretariat support was summarized as follows:

- The fiscal relationship between TAC and the Council would be maintained.
- A new job description would be prepared for the Council Executive Director's position.
- There would be more involvement in the Council's Secretariat by the Canadian Council of Motor Transport Administrators (CCMTA).
- No additional staff resource would be pursued at this time.

Following that summer Council meeting, the co-chairs informed TAC's Executive Director that to implement those directions, the Council's Executive Director would be expected to report to CCMTA staff and that an agreement should be established between TAC and CCMTA regarding the services provided in support of the Council.

In August, on behalf of the Council of DMs, Ryan Reichl (Alberta Transportation) sought and was provided information about TAC's secretariat services and costs. He has advised that he is working on terms of a service agreement for TAC and CCMTA, and has proposed that it would have the Council's Executive Director become an employee of CCMTA and be located in the CCMTA office. Furthermore, the agreement would stipulate that TAC would continue to invoice the Council of Deputy Ministers in accordance with its budget and then transfer funds received to CCMTA to pay the Executive Director and fund its programs, but other services would continue to be provided by TAC and paid by the Council.

### Secretariat Services

As noted above, the services needed to support the Council have changed over time. They currently include:

- Dedicated office space for the Council's staff within TAC's leased premises.
- Financial services, which allow the Council to bill its members for programs and activities, enter into contracts with consultants for research projects, book meeting venues, pay its staff, etc.
- Meeting and event logistics and support, which provides a senior event planner to negotiate with venues for meeting space, secure audio-visual equipment, arrange meals, etc.
- IT support and website management.
- Administrative support.
- Program management support for the Council's Committee on Northern Infrastructure in the Presence of Climate Change (reports to the Engineering and Research Support Committee of the Council).

Those services are provided by TAC employees and the portion of their time dedicated to the Council's work and associated costs (a proportion of rent, overhead, etc.) are billed to and covered through the Council's budget. The budget approved by the Council for fiscal year 2019/20 includes \$113,417 for those secretariat services.

<b>Salaries and Benefits - Supporting Staff<sup>1</sup></b>	
Finance management and support, office management, event management, project management, administrative support, IT and web support	\$68,458
<b>Rent and Facility Costs<sup>2</sup></b>	\$27,457
<b>Operating Costs</b>	\$17,502
Telephone, Internet/wireless, insurance, equipment, office supplies, etc.	
<b>Total</b>	<b>\$113,417</b>

1 – Does not include salary and benefit costs for the Council's Executive Director, which are included and identified separately in the Council's budget.

2 - Includes office space for the Council's Executive Director and proportionate allocation of space for other staff that provide services to the Council.

### Considerations

A number of issues exist and questions remain unanswered regarding this initiative of the Council of Deputy Ministers. They include:

- What problem exists with the current arrangements that would be solved by the proposed change? In the absence of its own incorporation, the Council will continue to need to hire secretariat services whether from CCMTA or some other organization. Given TAC's experience and demonstrated success in supporting the Council for 35 years, significant upheaval will result from changing the location/arrangement of its secretariat. What are the perceived benefits and do they outweigh the issues and challenges that will be faced in making those changes?
- Given the Council's direction in 2015 that its Executive Director should report only to the Council in order to ensure confidentiality and eliminate potential perceptions of conflict of interest, why is the Council now prepared to accept diminished independence by having its staff report through other staff responsible to a different Board of Directors?
- The current Executive Director of the Council of DMs is legally an employee of TAC and, as such, cannot simply be reassigned to report to another organization. TAC has, and will continue to have, legal obligations to that employee, even if the Council of DMs chooses to make other arrangements to fill the position of its Executive Director.
- Part of the services provided by TAC include office space for the Council's Executive Director, space which would no longer be used if the Executive Director is located in CCMTA's offices (which are near to, but separate from TAC's). On good faith terms with the Council, TAC signed a lease that endures for seven more years. Therefore, TAC remains responsible for rent that was previously shared with the Council.
- Logistical challenges will significantly increase if the Council's Executive Director is located within the CCMTA premises but support staff are within TAC's office. Support currently provided to the Executive Director and the Council, particularly for administrative services, project management, event planning, and web management, will be much less fluid and efficient if staff are not all located within the same premises and able to work well together as they currently do.
- The proposal as outlined by Mr. Reichl would have TAC issue invoices for the Council's program then transfer those funds to CCMTA. TAC's Board of Directors would be poorly positioned to exercise its fiduciary responsibilities in those circumstances. Furthermore, the rationale for that approach is unclear when invoices could be issued directly through CCMTA.
- Council members have indicated it is very important to continue to make arrangements for the Council of Deputy Ministers' meetings in conjunction with TAC meetings. Ten Deputy Ministers sit on the TAC Board and it is convenient and cost-effective for them to be able to attend both Board and Council meetings during one trip. No Deputy Ministers currently sit on the CCMTA Board of Directors. Economies of scale are realized because TAC is booking for large scale events and able to negotiate more favourable terms for meeting rentals and bedroom rates, which is a significant advantage for all participants, including Council members. Also of note, the arrangement provides a long term schedule which enables Council members to plan travel and attendance well in advance of events.

### Challenges for TAC

In the event that significant changes are made to the Council's arrangements for its secretariat services and meetings, there will be financial and practical impacts that will need to be addressed.

If the Council withdraws its secretariat services from TAC, then the Association's costs will immediately increase by \$113k. As noted, the costs include portions of salaries for several positions; no one position could be

terminated to eliminate staffing costs to compensate for the loss of revenue from the Council. Similarly, the rental costs for space allocated to the Council's Executive Director and the portion of rent for other staff providing services to the Council cannot be removed from TAC's lease. In the event that some of services continue to be provided by TAC, the financial impact may be less than \$113k, but the management and personnel challenges will increase.

The impact is much greater if the Council of Deputy Ministers moves its meeting schedule away from TAC's. The commitment of Deputy Ministers to their role as TAC Directors would be tested, which has much graver consequences in the long term if provincial and territorial jurisdictions are not engaged at the most senior levels as key owners and members of TAC.

Ultimately, these potential changes pose significant risks for TAC. At a minimum, as a not-for-profit organization, TAC's Board of Directors would need to take steps to address any loss of revenue, possibly increasing membership fees or reducing services, neither of which would be a good outcome for TAC members, including at its core, the federal, provincial, territorial departments of transportation.

### **Next Steps**

**The disposition of the TAC Board towards these developments is sought. Board approval would be required to enter into a service agreement with any other organization.**