

**An Examination of
Canadian Forces Base
Cold Lake (4 Wing)**

July 2013

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Special Report
An Examination of Canadian Forces Base Cold Lake (4 Wing)

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1 **Background**

2 After receiving 21 complaints between 2009 and 2012 from Canadian Forces members, Department of National Defence employees and families based at Canadian Forces Base (CFB) Cold Lake in Alberta, the Department of National Defence and Canadian Forces Ombudsman, Pierre Daigle, conducted an extensive outreach visit in May of 2012. The Ombudsman held four town hall sessions – some of which were very emotional – and multiple meetings with senior base leadership, civilians, family members and Canadian Forces members. An additional 30 complaints were personally submitted to the Ombudsman's team during the visit.

3 The Ombudsman felt that the concerns raised during the outreach visit merited an immediate letter to the Minister of National Defence (Annex A) to advise him of what the outreach team had learned. Several weeks later, the Ombudsman informed him that the office was launching a review into the situation at CFB Cold Lake.

4 The concerns raised by members of the CFB Cold Lake community fell into the following areas:

1. High cost of living (local economy)
2. Housing conditions
3. Post Living Differential allowance freeze
4. Access to specialized medical care for family members

5 The Ombudsman sent an investigative team to CFB Cold Lake during the week of November 5, 2012, to engage base and unit leadership, the local Canadian Forces Housing Agency representative, the Military Family Resource Centre, military members, civilians and family members. Interviews and meetings were also held with senior leadership in Winnipeg (1 Canadian Air Division) and Ottawa. The team received exceptional cooperation during the investigation.

6 **Canadian Forces Base Cold Lake (4 Wing)**

7 The City of Cold Lake is approximately 300 kilometres northeast of Edmonton and sits at the southern rim of the Athabasca Oil Sands and on the northern edge of Alberta's heavy oil fields. Cold Lake has been home to one of the largest and busiest air force bases since the 1950s. CFB Cold Lake (4 Wing) employs approximately 1,750 military members and 450 civilian employees. More than half the Canadian Forces members based at CFB Cold Lake are at the junior rank level (Private, Corporal and Master Corporal).

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- 8 The base has been Cold Lake's largest employer for decades, but according to 2012 Census data, the oil and gas industry now employs slightly more people in the Cold Lake region. The Mayor of Cold Lake expects a further influx of 500 to 1,000 oil and gas workers into the area in the summer of 2013. Although new housing is being built for purchase, rental vacancy rates are amongst the lowest in Canada (1 percent in October 2012)ⁱ – so low that the Cold Lake City Council created a grant incentive in April 2013 for developers to make some residences available for rentals (for a five year period).

9 **Issues**

10 **Cost of Living**

- 11 Problems associated with the high cost of living in Cold Lake – driven largely by the growth of the oil and gas industry – were raised in all of the meetings and town hall sessions during the Ombudsman's visit. The local economy has grown rapidly over the past few years, along with private sector wages and the cost of many goods and services. The population has also increased by more than 20.9 percent since 2006.ⁱⁱ Cold Lake has been referred to as "little Fort McMurray."
- 12 Canadian Forces members and their families at CFB Cold Lake informed the Ombudsman and his staff that their quality of life had been significantly eroded – especially when compared to life at similar air bases in the country. Indeed, a number of members informed the Ombudsman that they had to take on two or more part-time jobs in order to make ends meet. A number of families said they could no longer afford telephone, cable or Internet services. Others said that they have had to sell treasured belongings, keep their kids out of hockey and other activities, dip into their Registered Retirement Savings Plan (RRSP) funds and even claim bankruptcy in order to meet their financial obligations.
- 13 There was a general consensus amongst senior leaders interviewed that many members had second employment not because they wanted to upgrade their lifestyle but rather to meet the bottom line of everyday life. The effects of the second job were noted as less time with family, growing fatigue, and a further decrease in the quality of life overall. One large operational unit confirmed that 35 percent of its personnel had second jobs.
- 14 Cost of living is contributing to an increase in attrition rates at CFB Cold Lake. In 2012, the release rate was 8.3 percent. It is expected to climb to 12-13 percent in 2013. There is an additional impact of personnel opting to retire or leave the Canadian Forces in order to avoid postings to CFB Cold Lake.

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15 **Housing**

16 The Canadian Forces Housing Agency (CFHA) manages the Residential Housing Units (RHUs) inventory for the Canadian Forces. They allocate housing to Canadian Forces members and their families, carry out maintenance and repairs, and administer the rent system. CFHA currently manages, operates and maintains a national portfolio of approximately 12,492 homes at 32 locations across Canada. The CFHA Service Centre at 4 Wing Cold Lake manages a portfolio of 854 houses. These houses are 60 years old.

17 The Canadian Mortgage and Housing Corporation (CMHC) determines the Base Shelter Value (rent) for Canadian Forces housing on a yearly basis. It is established by evaluating housing at all Canadian Forces sites against housing in the local market/economy. CMHC appraisers estimate the degree of similarity or difference between a specific military housing unit and comparable rental properties by considering various elements such as the type and size of the house, its age, access to amenities and general condition of the units. Of note, CFB Cold Lake rental units outnumber off-base rental units by about a 2.7 to 1 ratio.

18 The average rent for a three bedroom military RHU at CFB Cold Lake during fiscal year 2012-2013 was \$1,032 – roughly double the average assessed rent for the same type of accommodations at CFB Bagotville in Quebec (\$557) and CFB Greenwood in Nova Scotia (\$542) – two operationally similar air bases.

19 CFHA conducts an annual Housing Condition Assessment of its housing portfolio. In June 2012, CFHA’s Housing Service Centre at 4 Wing Cold Lake completed its condition assessment on 853 out of 854 housing units.ⁱⁱⁱ

- 20 • 2.1 percent of houses (18) were assessed as “good,” compared to the national average of 5 percent
- 21 • 56.97 percent of houses (486) were assessed as “fair,” compared to the national average of 64.2 percent.
- 22 • 40.91 percent of houses (349) were assessed as “poor,” compared to the national average of 29 percent.

23 Of note, **828 housing units** have warning labels affixed to the attic hatch and knee-wall access door (where applicable) informing the occupant that there may be the presence of asbestos in vermiculite insulation.^{iv}

24 Following Health Canada guidelines, all attics, light fixtures, penetration and plumbing pipes have been sealed with a special caulking. Electrical lighting boxes have been pumped with foam. Attics have been caulked and screwed shut. Occupants living in units with these issues must sign an acknowledgment to not disturb the seals.

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- 25 In addition to the asbestos and vermiculite concerns, **640 housing units** have warning labels for ungrounded electrical outlets and approximately **250 houses** have water lines that are kept running from November until April in order to prevent the pipes from freezing.
- 26 Although the asbestos situation is handled in accordance with Health Canada guidelines, Canadian Forces families expressed a high degree of concern about the potential presence of asbestos in their older housing units.
- 27 Cold Lake rents were set to increase by 8.8 percent on April 1, 2013. However, on December 30, 2012, the Minister of National Defence announced a 10 percent reduction to the proposed rental increase of military housing in Cold Lake. This reduction represents a net decrease in rent cost of 1.2 percent for the 2013-2014 fiscal year.
- 28 The Minister of National Defence also announced a cap of 2.2 percent increase in rent anywhere in Canada for Canadian Forces members at the ranks of private in pay category 1 & 2 and officer cadets. This announcement affected 293 privates at CFB Cold Lake.
- 29 Investigators were told by CFHA officials that rental rates will be calculated as per usual for fiscal year 2014-2015. The rent increase calculation will not take into account the 2013-2014 10 percent reduction. As a result, rents in the area stand to increase a significant amount. For example, if the annual assessment reveals an increase in rent of 5 percent for 2014-2015, the increased percentage amount will be added to the originally planned 8.8 percent for a total increase of 13.8 percent. Cold Lake has the highest rent of all air base locations.
- 30 CFHA also has the lead on preparing a recapitalization plan for each base. It was noted that Environmental Commanders (Army, Navy and Air Force) have little influence in the planning process – including the establishment of priorities, rent levels, housing standards and reinvestment – and are often consulted and informed too late in the process to influence the outcome.
- 31 Although the cost of rent was the most prevalent issue raised by the majority of military members, the level of CFHA client services was also a concern. While at CFB Cold Lake, Ombudsman investigators received a number of complaints related to the services provided by CFHA. Some complained that as soon as a repair is done or an upgrade completed, they are charged more rent for the housing unit. They feel this is unfair as the repairs or upgrades only serve to bring the housing unit up to today's standards. Many indicated that they are refusing these upgrades as they cannot afford an increase in rent.
- 32 The difficulties of attracting contractors to perform work on Canadian Forces housing in this location were clearly conveyed by the CFHA manager and by those living in the RHUs. Many independent contractors have opted to work for the oil industry where they are paid far more than what a federal

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government contract could offer them. In some cases, contractors may only find it worthwhile to travel to CFB Cold Lake when there are several jobs. The robust economic environment in the Cold Lake region has also had an effect on the cost of labour. As an example, the CFHA manager informed investigators that his office pays a plumber \$95/hour while service calls for a plumber in the city of Cold Lake are \$200/hour.

33 **Note:** It should be noted that the investigation was provided with a new interim condition assessment of RHU's by CFHA on June 2, 2013. The information is substantially different to the information used over the past three years by the Housing Authority, provided to the Ombudsman's staff personally by the CEO of CFHA on 25 February 2013. The interim data is dated March 2013 but has not been finalized.

34 The interim data suggests 317 RHUs at CFB Cold Lake have moved from poor condition to fair condition. This information requires verification as it is inconsistent with the feedback and information provided to the investigation team by stakeholders on the ground.

35 Because the report has already been released internally for consultation, the decision was made to retain the existing data for the purposes of this report. In any event, the interim data would not change the substantive findings and recommendations.

36 **Post Living Differential**

37 During meetings and town hall sessions at CFB Cold Lake, a significant number of Canadian Forces members raised the issue of the Post Living Differential Allowance (PLD).

38 The PLD was introduced on April 1, 2000, to provide a mechanism to stabilize regional differences in the cost of living for Canadian Forces members and their families while serving in Canada. PLD is a taxable allowance and was introduced in Cold Lake in July 1, 2007, as a result of an increase in the cost of living in the region. The current rate for the Cold Lake area is \$319 per month.

39 It was widely noted that the PLD rate for Cold Lake does not adequately reflect or compensate for the high cost of living and the lack of services in the community when compared to other areas. In Edmonton, where Canadian Forces members and their families have greater access to more affordable housing, services and medical care, members receive \$684 per month, more than double the rate in Cold Lake.

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40 A Canadian Forces General Message (CANFORGEN) was released in April 2010 that announced that PLD rates were frozen until further notice and rates were to remain at the 2009-2010 level. The Director General Compensation and Benefits has informed the Ombudsman that as a result of the freeze, a new methodology and plan for implementation was with the Treasury Board Secretariat for approval.

41 Both the chain of command and Canadian Forces members expressed a significant amount of frustration with the PLD. The perceived lack of uniformity in its application and the inability to explain the methodology used for calculation have created skepticism and frustration amongst military members.

42 **Specialized Family Medical Care**

43 During the Ombudsman's visit to 4 Wing, a number of members of the Cold Lake Defence community highlighted the challenges they faced in accessing specialized medical care. Although there is a clinic at the Wing that caters to the routine medical issues of military family members, all other care is referred to Edmonton and other communities which are at least 122 kilometres away. This also applies to Canadian Forces members as well.

44 4 Wing Cold Lake is considered a semi-isolated unit but an isolated unit for medical purposes. This means that Canadian Forces dependents are medically screened before the military member is posted to 4 Wing to ensure the location is not ill-equipped to provide them with the appropriate care.

45 In January 2010, the chain of command at 4 Wing established a contract with a civilian service provider to create the Medley Medical Clinic. This clinic supports the provision of primary care to Canadian Forces families because of their inability to have regular access to a family health care provider. The Medley Medical Clinic that caters to military families has only one physician^v and the Mayor of Cold Lake recently confirmed that the city is short four doctors. Many of the residents use hospital emergency services for medical treatment.

46 Military families requiring specialist care that is not available in the Cold Lake area are referred to other locations by their primary care provider. Based on the services required, families may have to travel to Lloydminster (170 kilometres), Edmonton (292 kilometres), St. Paul (122 kilometres) or Lac La Biche (150 kilometres).

47 Benefits related to specialized medical care are available but limited as they may not include reimbursement for lodgings, meals or incidental expenses during a same day trip. Dependents traveling to Edmonton for health-related matters will only normally be reimbursed transportation costs when it is not possible for the patient to use the dedicated medical run provided by the base.

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This transportation service leaves Cold Lake at 8:00 a.m. and the return trip from Edmonton departs at 4:00 p.m. (a patient appointment time frame is noted as between 12:30 p.m. and 3:00 p.m.).

48 In the event that a same day return to Cold Lake is not possible, two dedicated RHUs at CFB Edmonton are available to accommodate military families requiring an overnight stay. The cost is \$50 per night. If the RHUs are not available, the most economical form of lodgings are reimbursed. Expenses incurred for medical services are not automatically reimbursed and must be paid out of pocket first and require physician documentation for reimbursement.

49 Military families told Ombudsman investigators that they are required to drive more than three hours each way to attend specialist appointments in Edmonton. Some have more than one child and, therefore, have to bring all of their children with them. If family members have a job, they have to take an unpaid day off.

50 **Action on Quality of Life Issues**

51 On February 15, 2012, the Wing Commander at 4 Wing sent a letter to his chain of command, expressing his concern regarding the high cost of living, high cost of rent for military housing, and the “disparity” of compensation for those posted to this location compared to other bases in the country. He further outlined that the disparities were due to the influx in the oil and gas sector and are projected to increase in the coming years.

52 In order to maintain morale and stabilise the cost of living, the Wing chain of command has taken numerous initiatives to assist its members, such as the creation of the Medley Medical Clinic and of a chartered school. Additionally, in February 2013, the Minister of National Defence announced a \$1.9 million daycare project to increase spaces at the Military Family Resource Centre by about 20 percent (100 places) in 2014.

53 **Conclusion**

54 During the investigation, most everyone interviewed, including leadership at all levels, believed that the high cost of living in the Cold Lake region was a serious concern. They further noted it is having a detrimental impact on the quality of life of Canadian Forces members and their families posted to that location. Specifically, the greatest concerns were for members at the junior rank level.

55 Investigators were told that a significant number of CFB Cold Lake military personnel have second jobs. One large operational unit on base confirmed that 35 percent of its members have second jobs to help make ends meet. The financial pressures contribute to experienced Canadian Forces members at

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CFB Cold Lake leaving the military to take jobs elsewhere. Additionally, a significant number of Canadian Forces members are leaving or retiring from the Canadian Forces in order to avoid a posting to Cold Lake. The loss of experienced personnel has many ripple effects throughout the system, including additional training costs.

- 56 For the junior rank members and their families, the rental of RHUs is the only viable option as off-base rentals are very scarce and expensive. The housing condition assessment conducted in Cold Lake clearly reveals that CFHA housing is in urgent need of updating, either through renovation or the building of new housing. Seven hundred and nine families/members are living in Canadian Forces housing at CFB Cold Lake, which has been assessed as poor to fair condition. There are no plans for a major recapitalization of the housing stock in this location.
- 57 A very high ratio of Canadian Forces members are living in RHUs (44 percent in Cold Lake compared to the national average of 15-18 percent). Revenues generated by RHUs in Cold Lake are not 100 percent reinvested locally to improve the already poor quality of the military housing. Environmental Commanders are responsible for the operational effectiveness of their bases and formations, but have little influence on the management of RHUs.
- 58 If upgrades are made then rental costs rise, possibly making an already difficult economic situation worse.
- 59 Canadian Forces members are paid on a national scale rather than adjusted by region for economic differences. Average salaries for junior rank members are lower than the Canadian national and Alberta averages. PLD is the only Canadian Forces mechanism available to respond to the high cost of living affecting certain geographical areas of Canada. Because military members are subject to postings at the Canadian Forces' discretion from one geographical location to another, sometimes on short notice, the intent of the PLD program is to "assist Canadian Forces members by offsetting expenses in locations where the cost of living is assessed to be higher than the norm..."
- 60 The PLD rates have now been frozen since 2010 and the Canadian Forces is currently utilising rates set in 2009 while the program is being reviewed. It has now been three years since a temporary measure was instituted. As a result, Canadian Forces military members living in areas that have seen a rise in the cost of living since 2008, along with significant rent increases, have not had a subsequent increase in PLD to correspond to that reality and are facing a financial disadvantage.
- 61 The PLD methodology, its application, and its review are not well understood by the Canadian Forces members. The Department has not provided a clear rationale for freezing the PLD. Furthermore, the Canadian Forces has not effectively communicated any status update to members or any implementation date for the new methodology since April 2010.

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62 The inability to access specialized medical services from a rural location adds
to the quality of life issues in the location. Canadian Forces members and their
families are incurring out-of-pocket expenses for services that are normally
available in other urban Canadian Forces locations.

63 While CFB Cold Lake is making efforts to reimburse where possible, the
regulations on semi-isolated and isolated locations do not address benefits
related to family medical care.

64 **Recommendations**

65 In order to help address the issues identified in this report, the following nine
recommendations are made:

66 1. Immediately re-establish a TBS-led PLD for Cold Lake which reflects the
Cold Lake economic environment.

67 2. Establish Cold Lake as a priority in the national RHU accommodation
strategy.

68 3. Establish an effective recapitalization program for Cold Lake RHUs.

69 4. Give the chain of command a greater role in decision making regarding
priorities, rent levels, housing standards and reinvestment.

70 5. Review the creation of a rent increase ceiling tied to improvement of
individual RHUs.

71 6. Synchronize RHU rental adjustments with PLD adjustments.

72 7. Increase transparency regarding PLD calculation methodologies and
communicate them in plain language.

73 8. Review and clarify benefits for medical care associated with semi-isolated
and isolated locations.

74 9. Establish a policy framework that enables the use of public resources to
improve support to Canadian Forces members and families posted to semi-
isolated and isolated units.

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Annex A: Copy of the letter from the Chief of the Defence Staff to the Ombudsman's office, June 2013

Chief of the Defence Staff



Chef d'état-major de la Défense

National Defence
Headquarters
Ottawa, Ontario
K1A 0K2

Quartier général de
la Défense nationale
Ottawa (Ontario)
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14 June 2013

Mr. Pierre Daigle
Ombudsman
Office of the Ombudsman
Department of National Defence and Canadian Forces
Urbandale Building
100 Metcalfe St, 12th Floor
Ottawa, ON K1P 5M1

Dear Mr. Daigle,

Thank you for taking the time to meet with MGen Dave Millar and some of his staff on 27 May 2013 to discuss your special report entitled "An Examination of Canadian Forces Base Cold Lake". I regret that I was unable to meet with you in person on this report; however, I trust that the meeting was beneficial.

Your report raised a number of concerns regarding the current state of military life in Cold Lake, particularly the cost of living, the condition of housing, the impact of the Post Living Differential freeze and the continuing challenge of access to specialized medical care. I know that while we provide outstanding employment opportunities for our serving members, we must work to address the perceived and real quality of life issues that are associated with Cold Lake specifically and with the military lifestyle generally.

I was encouraged to learn that you have highlighted the need to place Cold Lake as a priority in the national military housing strategy and that there be an effective recapitalization program for Cold Lake housing. CFHA is working extensively with the RCAF to develop both short and long term investment plans, starting with the investment of \$5.4M by CFHA in this fiscal year. The RCAF has also included a new Single Quarters project within their Long Term Capital Plan, freeing-up smaller and more affordable RHUs for families.

I acknowledge your concern for greater influence and control by the military chain of command regarding priorities, rents, housing standards and investment. The CF Living Accommodation Study Phase 2 is examining ways in which we can



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achieve a greater degree of flexibility in how we deliver housing services. Much work remains to be done in this important review, but it has the potential in the longer term to significantly improve the military housing experience for CAF members and their families.

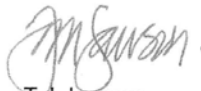
I understand your recommendation to improve transparency of the PLD calculation. As you know, resolving the PLD issue is a high priority for the Department. DGCB staff is currently in close discussion with Treasury Board (TB) Secretariat on a new PLD framework that better aligns to the TB assigned reference level for PLD. Once a new formula is established by the TB Ministers, it will be explained to CAF members in detail.

Your recommendation to review and clarify medical care benefits associated with semi-isolated and isolated locations is being addressed by CMP staff and we will share the results of our findings with you when they are available.

Finally, your recommendation to establish a framework for public resources to improve the support of CAF members and families posted to semi-isolated and isolated units also merits further consideration and review. I have asked CMP to also clarify what resources are presently available to include those offered under our non public property programs as part of Morale and Welfare services.

I greatly appreciate the work that you and your team does and I hope that we will continue to engage in frank dialogue and develop concrete actions that will enable a fair and balanced working and living environment for all CAF members and their families. Upon receipt of the formal report, I will return to you a fulsome assessment of our plan to address each of your recommendations.

Yours sincerely,



T.J. Lawson
General

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Endnotes

ⁱ Source CMHC

ⁱⁱ City of Cold Lake Municipal Census

ⁱⁱⁱ CFHA condition assessment definitions are:

Poor – A unit in poor condition has the potential to pose a health and safety risk as the majority of components has exceeded their life cycle. The unit requires supplementary investment to sustain a condition suitable for occupancy, and should be considered a priority for recapitalization or disposal activity.

Fair – A unit in fair condition functions in a satisfactory manner. The majority of components is within the acceptable life cycle but will require replacement in the near future. It does not however pose a health and safety risk. The unit will require component life cycle and routine maintenance but may also be considered for future recapitalization.

Good – A unit in good condition contains new or nearly new components, and functions at an optimal level. The unit will continue to require planned life cycle and routine maintenance to sustain a good condition. It is important to note that a unit in good condition will note a decrease in status to fair after roughly five years, due to the aging of the RHU.

New - Housing unit which has been constructed or fully renovated within the last five years.

^{iv} Vermiculite is a mica-like mineral mined around the world and used in a variety of commercial and consumer products because it is fire-resistant and has good insulation qualities. Of concern is vermiculite ore produced by the Libby Mine in Montana from the 1920's to 1990. Vermiculite from the Libby Mine may contain amphibole asbestos. The Libby Mine supplied the majority of the world market in vermiculite-based insulation. Products made from vermiculite ore produced by the Libby Mine were not widely used after the mid-1980's and have not been on the market in Canada since 1990. <http://www.hc-sc.gc.ca/hl-vs/iyh-vsv/prod/insulation-isolant-eng.php>

^v Briefing Note, 4 Wing Cold Lake – Establishment of Dependent Medical Clinic, January 15, 2010