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# Standing Committee on Finance

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Chair: Mr. Peter Fonseca





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Monday, November 28, 2022

• (1530)

[English]

**The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)):** I call this meeting to order. Welcome to meeting number 69 of the House of Commons Standing Committee on Finance.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Wednesday, November 16, 2022, the committee is meeting to discuss Bill C-32, an act to implement certain provisions of the fall economic statement tabled in Parliament on November 3, 2022, and certain provisions of the budget tabled in Parliament on April 7, 2022.

Today's meeting is taking place in a hybrid format, pursuant to the House order of June 23, 2022. Members are attending in person in the room and virtually using the Zoom application.

I'd like to make a few comments for the benefit of witnesses and members.

Please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your mike. Please mute it when you are not speaking. For interpretation for those on Zoom, you have the choice at the bottom of your screen of floor, English or French. For those in the room, you can use the earpiece and select the desired channel. I would remind you that all comments should be addressed through the chair.

For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the "raise hand" function. The clerk and I will manage the speaking order as best we can, and we appreciate your patience and understanding in this regard.

I would now like to welcome our Deputy Prime Minister and Minister of Finance, the Honourable Chrystia Freeland. Joining the minister from the Department of Finance, we have the associate deputy minister, Nicholas Leswick, and the assistant deputy minister of the tax policy branch, Miodrag Jovanovic.

Thank you for joining us.

Minister, we are all ears for your opening remarks.

**Hon. Chrystia Freeland (Deputy Prime Minister and Minister of Finance):** Thank you very much, Mr. Chair and committee members.

I really want to thank Nick and Mio for being here with us today. Both of them, and all of our officials in the Department of Finance, have really been working remarkably hard, and I'm really grateful.

[Translation]

Mr. Chair, it's a pleasure to appear before you and the members of the committee to discuss Bill C-32.

I would like to explain to you why it's so important that we work together to pass this bill.

First of all, we're permanently eliminating interest on Canada student loans and apprentice loans, which will save students an average of \$410. We've also provided the necessary funding to extend this measure to Quebec students as well.

[English]

We're cutting taxes for Canada's growing small businesses from 15% to 9%. This is the delivery of a key commitment we made in the spring.

We're permanently increasing the corporate income tax rate of banks and life insurance groups by 1.5%, and we're implementing the Canada recovery dividend, which is a one-time 15% tax on their income above \$1 billion to support Canada's COVID recovery.

[Translation]

Bill C-32 will also enable us to implement our plan to make housing more affordable.

We're creating the first home savings account. This account will help Canadians make a down payment sooner by enabling first-time buyers to save up to \$40,000 for that purpose.

We're offering a multigenerational home renovation tax credit of up to \$7,500 to enable Canadian families to house a grandparent or a family member with a disability who decides to return home and live with them.

By ensuring that profits from the resale of properties held for at least 12 months are fully taxed, we will help ensure that houses serve as homes for Canadians, not frequently flipped investment assets.

We will also help reduce closing costs by doubling the first-time home buyers' tax credit to provide \$1,500 to cover increased closing costs associated with the purchase of a first home.

[English]

One of the pillars of the fall economic statement was about growing our economy and creating good jobs, and this legislation helps deliver on that.

We're launching the Canada growth fund, which will help bring to Canada the billions of dollars in new private investment required to reduce our emissions, grow our economy and create good jobs at the same time, and we're delivering a new 30% critical mineral exploration tax credit that will help make Canada a global leader in an industry that is essential for everything from electric cars to cell-phones.

Before I close, Mr. Chair, I also know that you will be hearing from witnesses about the Canada workers benefit. The Canada workers benefit tops up the incomes of our lowest-paid and often most essential workers. No one who works 40 hours a week should have to worry about paying the bills or putting food on the table. In budget 2021, we expanded and enhanced the Canada workers benefit to reach three million Canadians who do important jobs but don't get paid very much. The Canada workers benefit can mean up to \$2,400 for a working couple every year.

The government currently delivers the Canada workers benefit through tax returns. That means that eligible Canadians need to wait until the tax year is over to receive the money they have already earned, but bills need to be paid throughout the year. That's why in the fall economic statement we further improved the Canada workers benefit. We've expanded the Canada workers benefit to reach up to 1.2 million additional hard-working low- and modest-income Canadians. This was an intentional policy choice, and it means the CWB will top up the income of up to 4.2 million of the lowest-paid Canadians.

• (1535)

Going forward, eligible workers will receive advance payments of the Canada workers benefit based on the income they made last year. Advance payments will be made in July, October and January based on a worker's income in the previous year.

[Translation]

Mr. Chair and members of the committee, Canada has the smallest deficit and the lowest debt-to-GDP ratio of all the G7 countries.

A few hours after the fall economic statement 2022 was tabled, Moody's reconfirmed our AAA credit rating with stable outlook. In October alone, 108,000 jobs were created in Canada, which means that 513,000 more Canadians are working today than before the COVID-19 pandemic. Our economy is now at 103% of what it was before the pandemic, and our economic growth since the start of this year is the strongest of all the G7 countries.

Canadians are standing strong and our country's economy is resilient. Consequently, we can all rest assured that we'll pull through, just as we've made it through the last two and a half years.

Thank you, and I'll be pleased to answer your questions.

**The Chair:** Thank you.

[English]

Thank you, Minister, for your opening remarks.

The members have many questions, I know, and we're going to move into our first round of questions.

Minister, in this round, members will have up to six minutes for each party.

We're starting with the Conservatives and MP Hallan for six minutes, please.

**Mr. Jasraj Singh Hallan (Calgary Forest Lawn, CPC):** Thank you, Mr. Chair.

Thank you to the minister and the officials for being here.

Minister, the state of the economy right now is very concerning to everybody. Your government caused the worst inflation we've seen in 40 years: \$110 billion added to the national debt before COVID even started, and over half a trillion in the last two years, 40% of which wasn't even COVID-related.

When our leader, Pierre Poilievre, was warning your government that there was going to be inflation, you claimed that it would be deflation. As inflation was taking off, you claimed it would be transitory. Inflation has been above the target rate since February of 2020. When you were telling your cabinet colleagues to find a dollar of savings for every dollar spent, you went on and added \$52.2 billion in new inflationary spending in the fall economic statement.

You also asked how you could not afford to borrow when interest rates were so low. Then you failed to lock in those rates, and now we've seen the biggest interest rate hikes in history due to your inflation. The Governor of the Bank of Canada said at this committee that Liberal spending has driven up inflation, and he will have to continue high interest rates.

Why should Canadians trust that anything your government will do is actually going to be fiscally responsible?

**Hon. Chrystia Freeland:** First of all, thank you, Mr. Hallan, for the question or, I should say, questions because there were a lot of different points raised in that opening volley.

Let me make some different points in return.

I'd like to start by pointing out that, at a time when elevated inflation is a global phenomenon, our government is taking an approach that is balanced, that balances—

**Mr. Jasraj Singh Hallan:** I'm sorry. I'd like to push back on that. You're claiming that it's a global problem, but the Bank of Canada—

**Hon. Chrystia Freeland:** Excuse me. It was a long question—

**The Chair:** MP Hallan, the question did go on for well over about a minute and a half, so please allow the minister to answer the question.

Please, direct everything through the chair, both to the witnesses as well as the MPs. Thank you.

**Hon. Chrystia Freeland:** Thank you very much, Mr. Chair.

Let me begin by pointing out that, at a time when inflation is a global phenomenon, our government is taking a balanced approach, an approach that balances fiscal responsibility with compassion.

Let me talk about the fiscal responsibility in our plan. Canada today has the lowest deficit in all of the G7. Canada has the lowest debt-to-GDP ratio in all of the G7, and just hours after I tabled our fall economic statement, we reaffirmed Canada's AAA credit rating—

• (1540)

**Mr. Jasraj Singh Hallan:** Mr. Chair, I only have a limited amount of time, and we did—

**Mr. Yvan Baker (Etobicoke Centre, Lib.):** I have a point of order, Mr. Chair.

**Mr. Jasraj Singh Hallan:** —hear this in the opening statement.

**Mr. Yvan Baker:** I think we owe it in this committee...and Mr. Hallan has reminded me in the past how important it is that we give the witness at least equal time in a response to the question as the questioner takes in asking it.

Mr. Hallan took, as you pointed out, Mr. Chair, a minute and a half. We should give the minister a chance to respond. I think everyone is eager to hear the answers to the questions.

**Mr. Jasraj Singh Hallan:** I would just say that we heard that in the opening statement already, and I only have a limited amount of time.

**The Chair:** MP Hallan, the minister is answering your question. Allow the minister to answer the question, and then go on to your next question.

Minister, please finish off this question, and then MP Hallan can continue.

**Hon. Chrystia Freeland:** Just hours after I tabled the fall economic statement, Moody's reconfirmed Canada's AAA credit rating with a stable outlook. That makes Canada the third-largest AAA-rated economy in the world, and it speaks to our government's sound fiscal management.

We also know that now is the time when Canadians need compassion. That's why I'm very pleased that, just this fall, we've managed to double the GST credit, provide rental support to people struggling to pay their rent, provide dental care, provide permanent—

**Mr. Jasraj Singh Hallan:** Mr. Chair...

**Hon. Chrystia Freeland:** —elimination of interest on Canada's student loans, and augment the Canada workers benefit.

**Mr. Jasraj Singh Hallan:** Mr. Chair, the minister talks about global problems, and it seems like everything is anything but the Liberals' problem. However, it's completely the opposite, and I will assure the minister that most Canadians don't care about a rating from Bay Street. Most Canadians don't know what that rating even is. What they know is that the inflationary spending her government has done is putting more of them into food banks and leaving

them to pay more for their mortgages and to worry about insolvency. The Governor of the Bank of Canada told this committee that the nearly 7% inflation rate that her government caused is going to cost each Canadian \$3,500 next year. Again, blaming all other factors is completely avoiding the situation they've created.

The governor also said at this committee last week that, had their government not spent as much as it did, inflation wouldn't be this bad. He noted that with inflation at nearly 7%, every Canadian will be paying \$3,500 more. As 50% of variable-rate mortgages are now hitting the trigger rate, one in five Canadians are skipping meals or reducing how much they eat, and the majority of Canadians who answered a poll said that they couldn't survive a recession if it lasted longer than a few months. Your government put Canadians in this position, and your future Liberal leadership opponent, Mark Carney, even admitted to a Senate committee that inflation is a domestic problem not a global problem.

We know that the relief measures proposed in Bill C-30, Bill C-31 and the FES will be evaporated by inflation, so why is the government not trying to tackle the actual root cause of the mess that it created?

**Hon. Chrystia Freeland:** Mr. Chair, I'll start with the beginning of that very long set of comments.

I'll start by saying that I actually do think Canadians care about Canada's AAA rating. I think Canadians are smart, and I think Canadians understand that Canada's AAA credit rating represents a non-partisan verdict on the management of our government's finances. What it says is that a professional rating agency, whose job is to determine whether our government's approach is fiscally sustainable, has said, yes, it is. I think Canadians understand that, setting aside the sound and fury of partisan debate, it does really matter.

I will offer for the Canadians listening another objective, non-partisan verdict on our fall economic statement. I will quote from the Globe and Mail, which doesn't always agree with our government's policies: "It is, broadly speaking, the right approach. ...Canada [has] the slimmest government shortfall in the G7. In inflation-fighting terms, that has Liberal fiscal policy looking pretty good, especially graded on a curve."

That's an objective, non-partisan judgment, Mr. Chair.

• (1545)

**The Chair:** Thank you, Minister and MP Hallan.

We'll now move to the Liberals for six minutes.

MP Baker, go ahead, please.

**Mr. Yvan Baker:** Thanks very much, Chair.

Thanks very much, Minister, for being here with us today.

Before I get into my questions, I want to address something MP Hallan raised. We know that inflation is global in nature. We know that because we know that countries around the world are experiencing it. We know what those causes are. Countless credible, objective economists and experts—people who have studied this—have said that there are a number of causes. Two of the key ones are the supply chain bottlenecks that resulted post COVID-19 lockdowns and the war in Ukraine, which has particularly caused the price of food and energy to go up around the world. These are global markets for food and energy, and therefore cost increases in one part of the world result in cost increases in other parts of the world.

We know what's causing inflation. We know it's global. We know that inflation in Canada is lower than in most of our peer countries. Therefore, we know that Mr. Hallan's assertion, and the Conservative assertion, that somehow inflation is homegrown is completely untenable, illogical and counter to the facts.

I just wanted to share that perspective with you, Minister.

As I listened to you deliver the fall economic statement in the House, it was clear that you presented a plan that was meant to grow the economy, create opportunities for Canadian workers, attract investment and work on increasing productivity in Canada while also providing relief to Canadians—which you spoke to in your opening remarks—who are struggling with the increasing cost of living to pay their bills.

There are a number of policies in the fall economic statement. I won't cite them all, but there are a few highlights that I think are important for my constituents in Etobicoke Centre. I think about the elimination of the interest on Canada student loans. I think about the first-time homebuyer savings account, which gives first-time homebuyers the ability to save up to \$40,000 tax free. I think about the introduction of the anti-flipping tax, which is of particular relief to many in my community. I really think it's important that all of us, on all sides of the House, particularly on this committee, work hard to get these measures passed as soon as possible so that we can get this assistance and support to Canadians who are struggling with inflation as soon as possible.

Minister, many of my constituents have told me that they want us to be there to help Canadians through this difficult time, but they also want us to spend within our means and be fiscally responsible. Could you share with us the metrics that you think are the most useful in evaluating our fiscal health? How are we performing on those metrics in comparison with our past performance but also in comparison with countries around the world?

**Hon. Chrystia Freeland:** Thank you very much, Mr. Baker, for your comments, for your hard work on this committee and also for your hard work in support of Ukraine.

When it comes to the metrics, the important ones to look at are Canada's debt-to-GDP ratio, particularly compared to our G7 peers. We have the lowest debt-to-GDP ratio. We need to look at Canada's deficit. In comparison with our G7 peers, we have the lowest deficit. I do think our AAA credit rating is really relevant. That's an objective marker.

All of us around this table understand that inflation is a real challenge for Canadians. This is a difficult time, particularly coming as it does after more than two years of a really difficult fight against a pandemic, but we do Canadians a disservice when we fail to place the Canadian experience in a global context. Canadians deserve to know, from us, what's also happening in the rest of the world.

Let me just read you the October inflation numbers from a few other countries with which we often compare ourselves. The Canadian inflation rate in October was 6.9%, which is definitely too high. It was the fourth consecutive month in which inflation had been stable or falling. Here are the inflation rates in a few peer countries: 14.3% in the Netherlands, 11.1% in the U.K., 10.7% in the euro area overall, 10.4% in Germany and 7.7% in the United States.

That global context is definitely important to bear in mind.

• (1550)

**Mr. Yvan Baker:** I want to ask you about one of the specific measures that is in the fall economic statement, which is the anti-flipping tax. I'm wondering if you could share with us, with Canadians who are watching this hearing, what impact that will have.

Why did you introduce this? How will it benefit Canadians?

**Hon. Chrystia Freeland:** As we heard just now in question period, and as we're going to hear around this table this afternoon, all of us disagree about many things, but there are some things we agree on. One of those things is that every Canadian has the right to a place to call home.

A concern that many of us share, certainly a concern of our government, is that housing shouldn't become a speculative asset. Homes should be for Canadian families, so this anti-flipping tax is a measure that is designed to ensure precisely that.

I do have the chance to personally thank Mio and his team for the unprecedented, and I think very powerful, tax measures they have put in place to help Canadians afford a place to call home.

**The Chair:** Thank you, and thank you, MP Baker.

We're now going to the Bloc with MP Ste-Marie.

[Translation]

**Mr. Gabriel Ste-Marie (Joliette, BQ):** Thank you, Mr. Chair.

Minister, greetings and thank you for being here in the Standing Committee on Finance this afternoon.

At our meeting here last Wednesday, we heard from the Governor of the Bank of Canada, Mr. Macklem. One of the issues he raised was competition among businesses. He was concerned that competition mechanisms might not be fully playing their role, since, in the current inflationary crisis, businesses can pass on all input cost increases through the selling prices of their goods and services.

What does your government intend to do to solve that problem?

**Hon. Chrystia Freeland:** Thank you for your important question, Mr. St-Denis.

It's a very important concern, and I'd respond to it with two points.

First, your question underscores the importance of fighting inflation. I believe we all agree that today's inflation rate is too high and that it's important for all of us to help fight it. That's the reason we've chosen to take a responsible fiscal approach to avoid undermining the Bank of Canada's work in combating inflation.

Second, with regard to competition, I completely agree with you that we need competition among businesses for the market to function properly. That's one of the reasons why our government has targeted issues such as the green transition and productivity in our economic policy.

**Mr. Gabriel Ste-Marie:** Thank you for your answer.

Minister, with all due respect, my name is Gabriel Ste-Marie, not St-Denis. That's just a detail.

**Hon. Chrystia Freeland:** Pardon me, Mr. Ste-Marie.

**Mr. Gabriel Ste-Marie:** Not at all.

It's good to increase productivity and promote the green transition. However, food distribution chains, for example, manage to pass on their costs to customers, in other words, to consumers. From what I understood of the remarks the Governor of the Bank of Canada made, the competition mechanism isn't efficient enough. The signal it sends is that costs are passed on to consumers. I'm discussing this particular sector, but there are many others.

In Canada, we have the Competition Act and the Competition Bureau. What does the government intend to do to bring the forces between business and consumers back into equilibrium?

**Hon. Chrystia Freeland:** Thank you very much for your question, Mr. Ste-Marie. I apologize once again for my mistake. My team and I are working closely with you and your team, and I thank you for that.

I agree with you that competition is an important aspect of the Canadian economy and that we must always encourage it. You mentioned the institutions and mechanisms that ensure there's enough competition in our economy.

I can assure you I'm working closely with Mr. Champagne, the Minister of Innovation, Science and Industry, and I will continue to do so to ensure that there's competition in the Canadian economy. I agree with you that competition is the sole reason why consumers enjoy satisfactory services and prices.

• (1555)

**Mr. Gabriel Ste-Marie:** I'm expecting specific measures from your government. One thing the Governor of the Bank of Canada noted is that today's institutions and mechanisms aren't properly playing their role and that there's a problem with the current competition system.

Last Wednesday, the Governor of the Bank of Canada reminded us that his focus is inflation and economic growth. In economic crises and situations such as the one we're now in, a certain amount of arbitrage has to be done, and it's really not easy or obvious. The governor also monitors employment and unemployment rates but not inequalities. However, if there's one lesson that we've learned from every economic crisis, whether caused by inflation or recession, it's that every time a crisis occurs, inequalities increase and low-income earners and the poor pay the price.

Certain measures set forth in the economic update, the economic statement and the spring budget are designed to support the less well off. More broadly and generally speaking, what does your government intend to do in the longer term to reduce these inequalities, which increase with every new economic crisis?

**Hon. Chrystia Freeland:** Thank you for your very important question, Mr. Ste-Marie.

I personally think the inequalities problem is very important for the Canadian economy. I'm proud that our government has managed to address inequalities since 2015 through permanent measures such as the Canada child benefit and the national child care services plan.

We thought long and hard about this issue during the pandemic, and it's one of the reasons why it was important for us to put significant measures in place to support all Canadians during that national crisis. As you also noted, in the fall economic statement 2022, based on a balanced approach combining fiscal responsibility and compassion, we decided to target less well off Canadians with our assistance measures, particularly the goods and services tax, student aid, housing assistance and dental care. I agree with you that much work remains to be done, but I think we're headed in the right direction.

**The Chair:** Thank you, Minister, and Mr. Ste-Marie.

[English]

Now we will hear from the NDP.

I have MP Blaikie for six minutes, please.

**Mr. Daniel Blaikie (Elmwood—Transcona, NDP):** Thank you, Mr. Chair.

Thank you, Minister, for appearing today before the committee.

In your opening remarks, you made reference to some measures your government has already taken in order to provide financial relief to Canadians. Among them were items from the supply and confidence agreement with respect to the dental benefit, the Canada housing benefit and the doubling of the GST tax credit that New Democrats had been pushing the government to do for some time this year before that decision was finally taken.

Another thing that New Democrats have been calling on the government to do as part of a package of financial relief is to remove the GST on home heating, but we have not seen any commitment from your government on that, either in the House or in the fall economic statement or its accompanying legislation.

Could you explain to the committee why it seems your government is not open to the idea of providing GST relief on home heating?

• (1600)

**Hon. Chrystia Freeland:** First of all, if I may, since you mentioned dental and rental support, they say defeat is an orphan and a victory has a thousand fathers, or maybe a thousand mothers, a thousand parents. I think that the rental support is much needed, and I'm glad we're able to provide it now.

When it comes to dental care, I think that is a historic measure and I'm glad we're able to co-operate with the NDP on providing it. I'm going to be really sincere for a minute. I think future generations of Canadians are going to look back on that and they are going to say, "Wow, we can't believe it took so long, and we're glad it's there". That's certainly what I hear from people.

In terms of your specific question on home heating, I think the right approach is to provide targeted support to the Canadians who need it the most and to let them spend that money in the ways they choose to spend it.

We have been talking a lot about the need for fiscal responsibility. I take that very seriously. I think the funds available to us to support Canadians in these challenging times are necessarily finite. I think the best way to do it is to figure out who the people are who need support the most, to send the money directly to them and to let them make the choices as to how they spend that money.

**Mr. Daniel Blaikie:** As winter sets in and people are getting their heating bills, I look forward to hearing some kind of concrete proposal from your government on how we can help Canadians who are being affected by that cope with those additional costs, beyond what has already been announced.

I want to talk a bit about some folks who have a fair bit of money. Loblaws, of course, is one of them. They are not the only one. Oil and gas companies have been making record profits. The big box stores have made record profits during the pandemic.

In this legislation, there's the Canada recovery dividend, which you talked about in your opening statement. It's another supply and confidence agreement commitment. Something we have made no secret about is the fact that we would like to see it applied to the oil and gas industry and to big box retailers, including grocery stores. In some cases, you have said that it would be unfair to apply the Canada recovery dividend to those companies, despite the fact that

they have been able to use their position within particular industries that provide essential goods to Canadians to increase their profits during these times.

I think the reports by the Canadian Centre for Policy Alternatives and the Canadians for Tax Fairness have said that up to 25% of the current inflation we're experiencing could be attributed to price increases beyond increases in costs. We're not talking about passing costs on to customers. We're talking about extraordinary price increases that have resulted in these higher profits.

What principle of fairness is at stake here such that you don't think it would be appropriate to see some of these businesses that have Canadians by the throat, so to speak, whether it's on food or on energy....? Why doesn't it make sense to ask that they pay relatively more, commensurate with their increase in profits, in order for the government to be able to provide assistance to people who are truly struggling?

**Hon. Chrystia Freeland:** Thank you for the question.

Building on Gabriel's question about inequality, many of us here agree that paying your fair share is an important social and economic principle in Canada. I would say our government has taken real, meaningful action in this space. I mentioned, in my opening remarks, the 1.5% permanent tax on banks and insurers, the 15% COVID recovery dividend and the permanent luxury tax. We are bringing in some new measures now. I think the 2% tax on share buybacks is a good measure to address some of the challenges you've been talking about.

From my perspective, there are two elements of the tax on share buybacks that make it the right approach for Canada. One, it creates an incentive for companies to do what I think is the right thing, which is to invest more in their productivity and workers. The second element that I think makes it valuable for Canada, given our geographic location, is that it's also a tax the U.S. has put in place with the Inflation Reduction Act. For these two reasons, we thought it was a good approach for Canada to take.

I also want to point out that we're introducing, in this bill, many other tax measures, some of them less headline-grabbing, but significant. I want to take the opportunity to thank Mio and his team, because this is very sophisticated work—things like IFRS 17 and so on.

• (1605)

**Mr. Daniel Blaikie:** I want to ask whether there's—

**The Chair:** That's the time we have. I know it goes very quickly.

This concludes our first round. We're into our second round. In this round, we have the Conservatives up first.

I have MP Hallan for the Conservatives.

**Mr. Jasraj Singh Hallan:** Thank you, Mr. Chair.



Minister, your government is projecting that, next year, Canada will only have a 0.7% growth in GDP. Your government had 15 good LNG projects on the table when it took over in 2015. Not a single one has been completed. You oversaw the cancelling of northern gateway, energy east and Keystone XL. Your government brought in Bill C-69, the “no more pipelines” bill, and Bill C-48, the tanker ban, which shut out Canada's potential to supply the world with Canada's responsible oil and gas, at a time when there's energy poverty around the world. It's caused home-heating costs to almost double.

In 2020 alone, 28,000 direct and 107,000 indirect jobs were lost in the energy sector, according to CAPP. The carbon tax is killing the energy sector, which is now unable to invest more of its capital into clean technology and emissions reduction. The Liberals demonize the energy sector, which is the same energy sector that helped any growth on the government's books. That's quite ironic. Also, the OECD predicted that Canada will be the worst-performing advanced economy over 2020 to 2030.

Would you agree that, without the success of Canada's energy sector growth, growth would be far lower than 0.7%?

**Hon. Chrystia Freeland:** Again, there are lots of points raised there. I'm going to start with one assertion with which I strongly and personally disagree: the notion that our government demonizes the energy sector. I'm going to say something very personal.

Mr. Hallan, you represent an Alberta riding. Nick and I are both originally from Alberta. Nick's from outside Calgary and I'm from Edmonton. I know, personally, that my education was built on the Alberta energy sector. All through my high school and university, I benefited—as did so many Alberta kids—from support from the Alberta heritage trust fund. I remember that, and I am very aware of the support the Alberta energy sector provides Canadians in Alberta and across the country. I'm glad to have the chance to underscore that right now.

When it comes to Canada's growth and the role of the energy sector in Canadian growth, it is worth pointing out that Canada has the strongest growth in the G7 so far this year. I think it's important that none of us talk down the Canadian economy right now.

**Mr. Philip Lawrence (Northumberland—Peterborough South, CPC):** Mr. Chair, we're over the time—

**Hon. Chrystia Freeland:** I don't know how much time I have left. It was a long question.

**The Chair:** We're at two minutes and 50 seconds. We still have time.

**Hon. Chrystia Freeland:** Okay. Thank you.

I would also like to point out that the west coast LNG project is a very significant project that is creating good jobs in Canada and will provide important support of LNG as a transition fuel—

**Mr. Philip Lawrence:** I have a point of order, Mr. Chair. I understood that we were going to share and roughly match the time. My colleague spoke for a minute and 24 seconds. The minister is now well over a minute and 40 seconds.

**The Chair:** We're not going second by second for a question and an answer. We're allowing for a question to be asked and an answer to be given, so we'll allow the minister to conclude.

I believe, MP Lawrence, you're going to be on next.

• (1610)

**Hon. Chrystia Freeland:** I'll just raise one more point, which is the importance of the Canada growth fund. This will invest in the green transition across the country. It will play a very important role in Alberta, including the role it will play in providing contracts for difference. I have spoken to many leaders of Alberta's energy sector and they have underscored to me how important that will be.

**The Chair:** Go ahead, MP Lawrence.

**Mr. Philip Lawrence:** Thank you.

Thank you, Minister, for appearing today. We look forward to seeing you on a quarterly basis.

The Globe and Mail also had another comment from Andrew Coyne's piece. He said, “What is the point of issuing forecasts that bear no resemblance to reality? I'll tell you the point: deception.” Budget after budget, he said, we've seen failures of this government to hit its projections.

In the spirit of that comment and the question, will this government commit today—yes or no—to no further deficit spending other than what's predicted in the fall economic statement?

**Hon. Chrystia Freeland:** Let me just say that the principal way in which the figures in the fall economic statement differed from the fiscal forecast we put forward in the budget in April was to show a better performance by Canada: higher revenues, lower spending, lower deficits and a lower debt-to-GDP ratio. I would not call that “deception”. I would characterize that as a strong performance by Canadians and the fact that our government's decision to invest in Canadians and support them during the COVID recession is working.

**The Chair:** Thank you, MP Lawrence. That's the time.

Now we're moving to the Liberals—

**Mr. Philip Lawrence:** Mr. Chair, on a point of order, everyone gets flexibility except the Conservatives. Daniel Blaikie was over by 40 seconds—

**The Chair:** Actually, MP Lawrence, I've been taking time throughout. That was actually five minutes and 40 seconds that we had. We went well over time, actually.

We're moving to the Liberals and MP Dzerowicz for five minutes, please.

**Mr. Daniel Blaikie:** On that point of order, I think Mr. Lawrence may be suggesting that he would like to see the Easter protocol resurrected.

**Mr. Philip Lawrence:** Yes.

**Voices:** Oh, oh!

**The Chair:** We're off to MP Dzerowicz for five minutes, please.

**Ms. Julie Dzerowicz (Davenport, Lib.):** Thank you, Mr. Chair.

I want to say thank you to you, Minister, for being with us today to speak to Bill C-32.

I appreciated that you spoke about immigration and the importance of immigrants to Canada's economy in our society. As you know, I've been a passionate advocate for immigrants and for more immigration, given that I truly believe that's key to Canada's future economic growth and prosperity. In my riding of Davenport, immigration is also important, not least because 45% of my riding are first-generation immigrants, and also because many of the businesses in my riding are really having a hard time filling jobs and finding talent that will allow them to grow their businesses.

Can you speak to what the federal government has done on immigration and how the fall economic statement, Bill C-32, continues to build on that work?

**Hon. Chrystia Freeland:** Yes. I am very familiar, Ms. Dzerowicz, with your riding because our ridings neighbour each other. It is a wonderful, vibrant community that is lucky to be home to many new Canadians.

I do think that a strength of our country is that, notwithstanding the very legitimate and significant partisan differences that we are hearing today, we do have a strong national consensus in support of immigration. As a Canadian, as a citizen, as a person, I really believe that immigration enriches our country culturally and socially. As finance minister, I am absolutely convinced of the way that immigration and our country's openness to immigration is a tremendous economic strength. That has been the case throughout Canada's history. It is particularly the case today when western industrialized societies, including our own, are experiencing a real demographic challenge that manifests itself in labour shortages.

I think it would be fair to say that there is no industrialized country in the world as open to immigrants as Canada is. That is a huge economic strength. It gives us huge advantages when it comes to meeting the demographic challenge. If I could, for a moment, speak to everyone here and to all Canadians.... I think we can't take our success hitherto in welcoming immigrants for granted. As a country, we need to understand how much our well-being and prosperity have been based on being a society that welcomes immigrants, and we need to always think about how to maintain that.

Some of the housing measures in this bill are really important in that regard. We're a growing country. We need to build homes for new Canadians, and we need to be sure that Canadians already here have a place to live, too.

• (1615)

**Ms. Julie Dzerowicz:** Thank you very much.

I believe there's also \$1.6 billion that's been allocated to help support the new immigration levels anticipated in the coming years, as well as some additional dollars to clear up some of the backlogs. I want to say thank you for that because I think it's important for all the reasons you've mentioned.

I want to turn quickly to business investment. Despite our low corporate income taxes and educated workforce, Canada continues

to see low business investment. I find it particularly troubling. You mention in the preface of the fall economic statement that we're in a time of great transformation "comparable in scale only to the Industrial Revolution".

What exists in the fall economic statement that will attract business investment here in Canada, and why do you think it's necessary?

**Hon. Chrystia Freeland:** That reference in the fall economic statement carried on a theme that we made very forcefully in the budget. This is that....

Look, Canada is amazing. I don't think there is a better country in the world. I know there's not a better country in the world, and I know there is no country better placed to navigate the challenges that the global economy is throwing at all of us. That being said, we also need to be honest about where we can do better. Economically, the area where Canada can and must do better is in productivity and business investment.

We put forward in the budget and elaborated on in the fall economic statement two really important tools to improve productivity and business investment. These are the Canada growth fund and the innovation agency. I am really excited that we've been able to move quickly to get them in place. They are going to help make Canada prosperous and help us accomplish the green transition.

**The Chair:** Thank you, MP Dzerowicz.

Now we'll go to the Bloc.

MP Ste-Marie, you have two and a half minutes, please.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Chair.

Many environmental groups are concerned by the rollout of small modular nuclear reactors. Although nuclear energy emits very little carbon, it raises enormous problems regarding nuclear waste management and the risk of incidents. Canada barely avoided disaster at Chalk River on two occasions in the 1950s. Consider as well the sad episodes in Ukraine and, more recently, in Japan. Accidents happen.

There's a new technology, managed by private business, that uses trucks to transport radioactive waste. Judging from the concerns of environmental groups, it presents major risks. Why has your government chosen to include it in its green economy strategy?

**Hon. Chrystia Freeland:** Thank you for that fair and important question.

You and I may agree on many issues, but possibly not on nuclear energy.

I understand Canadians' concerns, but I'm convinced that nuclear energy has to be part of our green transition. Energy needs and demand are so great that nuclear energy will be essential. Canada is fortunate to be a global leader in nuclear energy and to have the technological capacity to develop it. Here in Canada, we also have the natural resources that enable us to promote a nuclear industry.

Knowing that the concerns are there, I think we have to have strict inspections, measures and regulations. I also think that, if we really believe the green transition is necessary, the nuclear sector must be part of Canada's energy solution.

When I discuss this issue with France, our French counterparts agree with us. This is one of the reasons why Europe's energy crisis hasn't hit France as hard as other European countries.

• (1620)

**The Chair:** Thank you, Mr. Ste-Marie.

**Mr. Gabriel Ste-Marie:** Thank you.

[English]

**The Chair:** Thank you, MP Ste-Marie.

We're now going to the NDP with MP Blaikie for two and a half minutes, please.

**Mr. Daniel Blaikie:** Thank you, Mr. Chair.

I want to juxtapose two records. On the one hand, Loblaw's is making a million dollars a day more in profit than in its historical banner year. It's not a million dollars in profit every day. It's a million more dollars in profit against its most profitable year to date.

We also have a position where more Canadians than ever are using food banks. In that context, your government has chosen to limit its Canada recovery dividend, or windfall tax, which is the term others might use for that, only to the financial sector, when we've seen some other international jurisdictions apply windfall taxes on a more broad base, and despite the fact that you have a working partner in Parliament that would be willing to work with you in order to implement a wider windfall tax.

On what principle has the government decided not to take a wider approach to applying a windfall tax, when we know there are businesses making a lot of extra profit on the very essentials that Canadians are having a harder time affording?

**Hon. Chrystia Freeland:** Thank you for the question, which is an important one. The Department of Finance has devoted a lot of thought to this. I'll start by reiterating what we discussed earlier: Our government does believe in tax fairness, and we think that in Canada everyone needs to pay their fair share.

When it comes to the specific principle and the specific question around the COVID recovery dividend and which sectors it should be levied on, we were careful and disciplined in that thought process. It's very important, from our perspective, that for a windfall tax like that there be a clear logical intellectual justification, an intellectual justification and a fact-based justification.

When it comes to the COVID recovery dividend, the justification was as follows. When COVID hit Canada, when we shut down our country's economy as a result, the government undertook emergency economic action. We basically put a floor under the whole Canadian economy, and all Canadians paid for that. There was a particular sector that benefited from that government action, a particular sector of the economy, and that was the financial sector. It would have suffered significantly had the government not acted, had we not stopped the COVID recession in its tracks.

For that reason, we believed it was economically rational and justified to put in place the COVID recovery dividend. That was our rationale. I think it is robust and it stands up. I believe very strongly in tax fairness. Part of tax fairness, from my perspective, is that we have to be really careful when it comes to tax policy to ensure there is a clear, sound justification for new taxes, particularly one-off taxes that are levied.

**The Chair:** Thank you, MP Blaikie.

We now go to the Conservatives and MP Morantz, please, for five minutes.

• (1625)

**Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC):** Thank you, Mr. Chair.

Minister, in the fall economic statement, there was \$14.2 billion in spending that was categorized as unannounced spending. There were no specific details about what it was for. It's an awfully large sum of money to budget for.

You don't need to answer this question here, but I'm wondering if you could table with the committee a detailed breakdown of what that spending is for.

**Hon. Chrystia Freeland:** In the fall economic statement, we put forward very clear and detailed assessments of what the government has spent so far, some revenues going forward and expenditures going forward. We also believe it makes sense to try to look around corners and to look ahead, and make some provisions for spending that we see Canada may be undertaking going forward.

It's important to be transparent with Canadians about that.

**Mr. Marty Morantz:** In the spirit of transparency, would you table what it's for?

**Hon. Chrystia Freeland:** We—

**Mr. Marty Morantz:** Answer yes or no. Are you going to table it or not?

You can say no.

**Hon. Chrystia Freeland:** Our government presents and our finance presents—

**Mr. Marty Morantz:** I'm going to go on to my next question. I have limited time.

I'll take that as a no.

**Hon. Chrystia Freeland:** I think the chair has asked us, when interrupting each other, to do that through the chair, please.

**Mr. Marty Morantz:** I have limited time—

**The Chair:** Minister and MP Morantz, we don't want crosstalk—

**Mr. Marty Morantz:** Yes.

**The Chair:** It's for those who are viewing and those who are here in the room—

**Mr. Marty Morantz:** It's nothing personal. I just have limited time.

**The Chair:** —it is very difficult to listen

MP Morantz, if we don't cut each other off.... Please, let's not have any crosstalk.

**Mr. Marty Morantz:** Sure.

It's not my intention to interrupt you, Minister. I'm very interested in what you have to say.

You issued a directive to your cabinet colleagues that they must find internal savings of 25¢ for every new dollar of spending. Across all government departments, what's the total amount of internal savings you asked them for? A number would be good.

**Hon. Chrystia Freeland:** I'm afraid that internal deliberations within the government and internal communication within the government are not something I'm at liberty to discuss within this committee. I'm also not sure what directive Mr. Morantz is referring to.

**Mr. Marty Morantz:** I'll go on to my next question, but it was reported in the Toronto Star. You can have a look at the article.

**Hon. Chrystia Freeland:** I'm glad the Conservative members see the Toronto Star as a good source of information and economic analysis.

**An hon. member:** That's questionable.

**Mr. Marty Morantz:** The Governor of the Bank of Canada was here last week. I'm wondering if you're familiar with his testimony. He said that, if government deficits over the last two years had been lower, inflation in Canada would have been lower. Do you disagree with his opinion?

**Hon. Chrystia Freeland:** Let me say two things about that.

First of all, judged by any international standard, Canada's debt and deficit situation, and our fiscal stewardship overall, absolutely holds up. Any objective measure that anyone here can name demonstrates that.

The second thing I will say is that our government undertook significant spending during the COVID recession, and that was the right thing to do. Most importantly, that spending has allowed for a remarkable employment recovery in Canada. Here, 117% of the jobs lost to COVID have been recovered, compared to 103% in the U.S. That is worth it.

**Mr. Marty Morantz:** I want to know if you disagree with his statement.

**Hon. Chrystia Freeland:** I've answered your question.

**Mr. Marty Morantz:** I'll take that as a no.

**Hon. Chrystia Freeland:** You can take it any way you wish.

**Mr. Marty Morantz:** Sure. Okay.

Out of curiosity, you're increasing the price of a beer by 6.3%, of all things. That's sacrilege in Canada. Canadians love their beer. I realize we've asked you to take off the carbon tax, all of those pay-cheque taxes and all of those things, but at least for a beer, can you give Canadians a break in the spring? You can make a big announcement right now.

I'll finish my round with that.

**Hon. Chrystia Freeland:** I guess that stands alongside crypto as one of the Conservative Party's main pieces of financial advice.

**The Chair:** Thank you, Minister.

Thank you, MP Morantz.

Now, for our final questioner to conclude this round and this first hour with the minister, we have MP MacDonald for five minutes.

**Mr. Heath MacDonald (Malpeque, Lib.):** Thank you, Chair. I'm certainly glad to have the minister here with us today.

Sitting here, listening to the questions and being a relatively new MP, I'm glad you mentioned COVID-19, because I think you've steered the ship through likely the most turbulent time, possibly, in the history of our country. I think you and your team need to be well respected for that. We're not out of the woods yet. We understand that, but with everything that is going on around the world and our placement among different levels of economic value, it's been extremely good. Again, we need to continue.

Similar to many G7 partners, we're experiencing elevated levels of inflation due to a unique combination of global factors, obviously, with the invasion of Ukraine, or supply chains and pent-up demand. While Canada has fared better in comparison to many countries regarding inflation, we must be cautious that our measures to support Canadians don't inadvertently make the inflation issue worse.

We've talked about targeted investments. The measure to cancel interest on student loans will deliver financial relief to students, while avoiding a large infusion of stimulus into the economy in a way that broad-based cheques would produce, which we've seen in some provinces. Was a decision to take this measure of cancelling debt on student loans and apprenticeship loans chosen in part due to its ability to provide relief to those who need it without running the risk of inflationary challenges?

● (1630)

**Hon. Chrystia Freeland:** It absolutely was, Mr. MacDonald. I want to start with where you began your question, which is talking about COVID-19, the COVID-19 recession, and the extraordinary measurements that our government, and, in fact, all Canadians, put in place.

It's really important to underscore that our measures have been economically successful. The jobs recovery is particularly strong in Canada, and every person who has a job today...that's so important for a family.

There is another thing we did. We saved lots of lives. Had Canada had the mortality levels of the United States, 70,000 additional Canadians would have died. That's the whole population of Fredericton. This is the finance committee. We're talking about dollars and cents, and that is important, but those 70,000 people include neighbours, parents and grandparents. I think back to the really darkest days of the pandemic. We weren't perfect. Canada wasn't perfect, but we did a pretty good job. Our measures helped to save lives, and I think it's important for all of us to remember that.

Quickly, on the student loans—really important—data from the Department of Finance shows that among the people who are facing the biggest challenges right now with elevated inflation are students—our young people—so, permanently eliminating student loans provides relief to young Canadians today. I'm the MP for University—Rosedale, and there are lots of students in my riding. People have said to me directly that knowing this is permanent is a real relief. I think we owe that to young Canadians. I'm glad we're able to do it.

**The Chair:** Thank you, MP MacDonald.

We want to thank the minister. We want to thank your officials for appearing before us. Thank you for your testimony. Thank you for the many questions that you answered on this study.

Members, this concludes this portion of the meeting, this panel.

We are going to suspend so that we can switch over to our next witnesses.

● (1630)

(Pause)

● (1635)

**The Chair:** I call this meeting back to order.

With us now for our second hour, we have our special witnesses here today. From the Office of the Parliamentary Budget Officer, we have Yves Giroux, Parliamentary Budget Officer, as well as the director of fiscal analysis, Kristina Grinshpoon.

We will go to your opening remarks, please, before we get to the members' questions.

**Mr. Yves Giroux (Parliamentary Budget Officer, Office of the Parliamentary Budget Officer):** Good afternoon, Mr. Chair and members of the committee. Thank you for the invitation to appear before you today.

We are pleased to be here to discuss our analysis of Bill C-32, the fall economic statement implementation act, which we published in our report entitled “Fall Economic Statement—Issues for Parliamentarians” on November 15, 2022.

Additionally, this morning my office published three separate legislative costing notes: our analysis of the residential property flipping rule, the doubling of the first-time homebuyers' tax credit, and eliminating the interest on federal student and apprentice loans.

With me today, I have Kristina Grinshpoon, who is director of fiscal analysis.

In accordance with the PBO's legislative mandate to provide impartial, independent analysis to help parliamentarians fulfill their constitutional role, which consists of holding government accountable, our report on the fall economic statement highlights key issues to assist parliamentarians in their budgetary deliberations.

In terms of funding and new budgetary measures, revisions to the private sector economic outlook and fiscal developments in the fall economic statement provide a total of \$81.2 billion in new fiscal room, which finances \$52.2 billion in net new measures over 2022-23 to 2027-28.

Of note is the government's \$4 billion enhancement to the Canada workers benefit, which will automatically provide advance payment to individuals who qualified for the benefit in the previous year. The substantial cost of this measure is largely due to the government's policy decision not to recoup these advance payment when recipients' incomes rise and they become ineligible for benefits or eligible for lower benefits. Not requiring repayment of federal benefits for ineligible individuals is a pronounced departure from the existing federal tax and transfer system. This expensive policy change was not mentioned in the fall statement.

● (1640)

[*Translation*]

Further, the government identified \$14.2 billion in new measures without providing specific details on this spending, which represents 27% of all new measures, totalling \$52.2 billion, in the fall economic statement 2022. This lack of transparency presents challenges for parliamentarians and the public in scrutinizing the government's spending plans.

The timeliness of financial reporting also continues to present challenges. This year the Public Accounts were tabled on October 27—seven months after the close of the fiscal year. Canada continues to fall short of the standard for advanced practice in the International Monetary Fund's financial reporting guidelines, which recommends that governments publish their annual financial statements within six months. Parliamentarians may wish to request that the government publish the Public Accounts of Canada and the Departmental Results Reports, which have not yet been published, within six months of the close of the fiscal year. Legislative amendments to that effect could be considered.

Finally, the government highlighted that it exceeded its first spending review target of \$3.0 billion by achieving savings of \$3.8 billion from lower-than-anticipated spending on certain COVID-19 support measures in the previous fiscal year, 2021-22. However, the source of this saving is inconsistent with the intention and timing that was announced in Budget 2022. The FES provided no explanation for this discrepancy. This puts into question the credibility of the yet-to-be-launched strategic policy review supposed to generate savings of \$6 billion by 2026-27 and \$3 billion in annual savings.

Ms. Grinshpoon and I will be pleased to respond to any questions you may have regarding our analysis of the fall economic statement or other PBO work.

**The Chair:** Thank you, Mr. Giroux and Ms. Grinshpoon.

[*English*]

We are going to our first round of questions by members.

We have the Conservatives, MP Chambers, for six minutes, please.

[*Translation*]

**Mr. Adam Chambers (Simcoe North, CPC):** Thank you, Mr. Chair.

[*English*]

Thank you very much to our witnesses. It's a pleasure to have you back at committee.

I wanted to pick up on a couple of larger themes that we've heard your office talk about in some of its analysis recently: the fact that inflation is significantly driving government revenues—and you mentioned the capacity that was created—and then some spending associated with that.

Could you highlight, for this year, how much of the new revenues you estimate are driven by inflation?

**Mr. Yves Giroux:** We performed that analysis when we saw that the revenues were coming in at a much higher level than we anticipated. We estimate that about half of the increase in revenues is due to higher than expected inflation. The other half is what we call a higher tax yield. It's stronger income, economic growth and better remittances.

Half is due to inflation.

• (1645)

**Mr. Adam Chambers:** Half of the unexpected increases are due to inflation, which is basically a way of suggesting that Canadians are paying more. They are paying more HST.... Some people refer to inflation as a silent tax, if you will. What is the government doing with the windfall?

**Mr. Yves Giroux:** We found that the government is spending a significant portion of it.

In my opening remarks, I alluded to the fact that fiscal room of about \$81 billion has been generated. The government has spent about \$52.2 billion of this on a net basis. When I say on a net basis, I means that's taking into consideration the additional revenues generated by the new tax measures that the government has introduced.

That still leaves \$52 billion of that \$81 billion in fiscal room that's eaten by government measures. On a gross basis, I don't have the numbers off the top of my head, but that's once we've netted out the increased revenues that the government has introduced.

**Mr. Adam Chambers:** On that point, I think it's worth highlighting for the committee, when we use the term “net basis”, in times of inflation it's actually the gross amount of government spending that people should be focused on. The net measurement is good for when we're thinking about the deficit or debt levels. If we're worried about government spending driving inflation, ought we not look at the total gross spending increases the government is making?

Is that a fair assessment?

**Mr. Yves Giroux:** That's a fair assessment.

**Mr. Adam Chambers:** On that measure, the government is spending about 30% more this year than it did pre-COVID. Forget the unexpected COVID expenditures. You've mentioned \$52 billion net. The number's much higher. The government is classifying this spending plan as fiscal restraint. In this spending, there is no additional spending for pharmacare or for new health transfers to provinces.

First, would you characterize a 30% increase in spending as restrained spending growth? Second, have you done any analysis on additional spending pressures and what that might do to the spending on a go-forward basis?

**Mr. Yves Giroux:** There are a couple of points to your question.

First of all, would I qualify this as restrained spending growth? The answer is, unsurprisingly, no. When the government has \$81 billion in fiscal room and spends \$52 billion of that, even after taking into account new tax measures, it's not called keeping one's powder dry. That's one way of saying it. I've said that before, so it's nothing new.

We have not looked at what all the other pressures would mean on the fiscal bottom line for the government because there are many ways a government could decide to address these pressures. For example, there's a commitment for NATO countries to spend at least 2% of their GDP on national defence. We published an analysis several months ago indicating what this would mean in terms of dollars, but it doesn't mean the government has to do it or that the government will move there quickly. It could choose to move at a different pace.

There's also pressure on the part of premiers to get additional funding for health care. Again, it's a pressure. The government has many ways to address this. It could choose to ignore these pressures. It could choose to provide all the funding that premiers want or anywhere in between.

All that is to say we have not done an analysis of what these would mean.

**Mr. Adam Chambers:** Thank you.

A quick yes or no, have you ever seen a government restrain its spending growth to 1% to 2%? The government now says it will restrain its spending growth to that amount in future years.

• (1650)

**Mr. Yves Giroux:** Over several years, no.

**Mr. Adam Chambers:** Thank you.

**The Chair:** Thank you, MP Chambers.

We'll now go to the Liberals with MP Chatel, for six minutes, please.

[*Translation*]

**Mrs. Sophie Chatel (Pontiac, Lib.):** Thank you very much, Mr. Chair.

Thank you for being with us, Mr. Giroux.

Global inflation has clearly meant hard times for many Canadians. Some people in the communities I represent live from paycheck to paycheck. Life is increasingly hard for them.

However, there's a glimmer of hope on the horizon. When we read your economic outlook, we see more hope in your statement than in ours. You're projecting as much as a 1.9% drop in inflation for 2023. So that's a radical and significant decline and suggests a return to a stable inflation rate.

Would you please tell us about that, Mr. Giroux?

**Mr. Yves Giroux:** Of course I can tell you about that.

We released our economic and fiscal outlooks at the end of October. In our economic outlook, we assume that the Bank of Canada and central banks around the world won't tighten monetary policy more than necessary.

In October, we estimated that the prime rate that the Bank of Canada needed to control inflation should be about 4%. That's still our opinion. A rate of 4% would be enough to lower inflation to 2.3% in 2024 and then to 2% in 2025 and subsequent years.

In a scenario where central banks, including the Bank of Canada, further restrain monetary policy, in other words, if they raise interest rates more than necessary, the inflation rate would fall slightly more sharply, but that would result in significant costs.

In our base case scenario, in which the Bank of Canada and other central banks take necessary action without going too far, inflation would decline further in subsequent years. Economic growth would pause slightly in 2023, then gradually resume in 2024 in ensuing years.

**Mrs. Sophie Chatel:** We're in pretty good shape compared to what we see elsewhere. The situation isn't pretty in other countries, including the G7 countries, among others, which have even more inflation and no hopeful scenarios.

We talked at length about fiscal responsibility. In these hard times, we should implement measures that target those who most need them so that no one in Canada falls into poverty. That's what the government is trying to do by outlining measures that really target lower-income households.

You've shown in your analysis that the assistance provided to the least well off in our society, those most in need, low-income families and workers, will only require a minor commitment. We will assist them during this difficult period, and the pressure on inflation will be very minor.

Please tell us about those targeted measures and their impact.

**Mr. Yves Giroux:** In response to numerous requests, we've taken into consideration the inflationary impact of the measures that the government announced in September, particularly the temporary increase in the GST credit, the Canada dental benefit and the top-up to the Canada housing benefit. We came to the conclusion that their impact on inflation would be marginal, in the order of a few hundredths of a percentage point.

This is understandable because these measures involve temporary amounts in certain cases that are relatively minor compared to the size of the economy.

**Mrs. Sophie Chatel:** When you say "very targeted measures", you're referring to the impact of doubling the GST credit, the top-up to the Canada housing benefit for those most in need and the Canada dental benefit.

So you think that will help households, while reducing the negative impact it could have on inflation. Is that correct?

• (1655)

**Mr. Yves Giroux:** These programs are designed to assist households with incomes below a certain threshold. To be eligible for the Canada dental benefit, families must earn less than \$90,000 a year. I don't know the GST credit figures offhand, but the amount is smaller.

The objective is to assist low- to medium-income households. So that's why the cost is relatively limited.

**Mrs. Sophie Chatel:** I noticed another piece of good news: the unemployment rate will fall below the rate you'd predicted.

I think that's all the time I had. Thank you for your excellent work.

**The Chair:** Thank you, Ms. Chatel.

[English]

We'll now move to the Bloc with MP Ste-Marie for six minutes.

[Translation]

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Chair.

Good afternoon, Mr. Giroux and Ms. Grinshpoon. Thank you for agreeing to appear before the Standing Committee on Finance on such short notice. We're very grateful to you for that. Thanks as well for the three studies you released this morning. They'll be very useful to us.

Since we'll be conducting clause-by-clause consideration of Bill C-32 at our next meeting, the committee will have devoted only two meetings to the study of this bill: one with the officials of the departments concerned and this one today.

My first questions will focus on parts of your statement, Mr. Giroux.

In particular, you said that the government had announced \$14.2 billion in new measures without providing details on that spending, which represents 27% of new measures in the fall economic statement 2022.

Would you please explain to us at greater length how that's being presented? Why do you think no more details are provided?

**Mr. Yves Giroux:** Thank you for your question.

The \$14.2 billion I mentioned in my opening remarks will be paid out over a period of six fiscal years beginning with the current fiscal year, under two headings: defence initiatives that have yet to be announced, but also anticipated near-term pressures, that is, in the next six years.

We assume that the funds will be used for measures that the government plans to announce in the coming months. As for the anticipated pressures, they seem to be fairly well known and well quantified, since the numbers do not appear to be rounded. Again, we don't have any details, though.

When my office and I asked Finance Department officials questions, we were basically read the headings. So that information was not very helpful to us. In my view, this raises questions about the transparency of the fall 2022 Economic and Fiscal Update.

The government seems to know a lot of the measures that will be funded, but they are not yet disclosing them. So that's why we mentioned that these amounts seemed to be fairly specific.

The risk I see is that once the measures are announced, it will be difficult to determine where the funding announced under these two somewhat mysterious headings will have been mentioned: in Budget 2022, Budget 2021 or the fall 2022 Economic and Fiscal Update.

**Mr. Gabriel Ste-Marie:** Thank you very much for your explanations.

We'll get to the bottom of this. I see that the Parliamentary Secretary to the Deputy Prime Minister and Minister of Finance, Mr. Beech, is here with us today. I just want to notify him that we

will be questioning the government on this. It's unacceptable that this document doesn't provide more detail than that.

I will now go back to your speech. The last part of it also surprised me. The government reports being \$3 billion over its first spending review target, but the statement provides no explanation, no source, no date.

Can you explain this in more detail?

**Mr. Yves Giroux:** Of course.

In Budget 2022, which was tabled in April, the government committed to two types of spending review.

If memory serves, the first was to focus on COVID-19 spending after the budget was tabled. The government had mentioned it was going to try to reduce that spending for fiscal 2022-23 or 2023-24, I believe.

In its fall 2022 Economic Statement in November, the government claimed victory because it had reduced spending for the fiscal year, even though the fiscal year was already over when the budget was tabled in April. By taking credit for things that happened in the past, most of which must have already been known when the April budget was tabled, the government appears to be trying to avoid having to do the thorough spending review it committed to in April.

This calls into question the credibility of the upcoming Strategic Policy Review, if there is one. It's supposed to generate \$6 billion in savings per year by 2026-27, and \$3 billion per year thereafter.

So it's a little hard to follow the government's rationale for claiming victory based on this initial review.

• (1700)

**Mr. Gabriel Ste-Marie:** Thank you.

I agree with you when you say that it calls into question the credibility of the comprehensive Strategic Policy Review. We will certainly keep that in mind.

You talked about the International Monetary Fund's standard that recommends governments publish their annual financial statements within six months, which Canada has not done this year.

Is this a new practice? Is this the first time Canada hasn't done so? Is it common practice in other countries to not follow these guidelines, or is Canada the only poor performer in that regard?

**Mr. Yves Giroux:** These are not new recommendations from the International Monetary Fund. These are part of best practices in accountability. I haven't done a comprehensive review of what other countries are doing in the G7, G20 or even the Organisation for Economic Co-operation and Development (OECD). I don't believe Canada is the worst country, but I don't think it's the best either in terms of the amount of time it allows between fiscal year end and releasing its financial statements.



On the other hand, I know that a good number of provinces are capable of doing a better job than the federal government. I've heard officials say that the federal government publishes many more pages than the provinces: that's true, but the federal government also has many more officials than the provinces to do the same job.

Therefore, the federal government could do a much better job when it comes to accountability. It would help you do a better job as parliamentarians. You would know what the deficit or surplus is for the previous fiscal year when the year is well under way for you. This also applies to the departmental results reports, which you and I have yet to receive: it's almost December and the year is coming to a close.

**The Chair:** Thank you, Mr. Ste-Marie.

[English]

We'll now go to the NDP with MP Blaikie for six minutes, please.

**Mr. Daniel Blaikie:** Thank you very much.

I want to come back to this question of cost reduction that the government alludes to.

What do you think ought to be reported? Whether it's Canadians themselves or parliamentarians who are analyzing the government's claims about cost reductions, what kind of information do you think should be made available? Where is the best place for that information to be available? Should it have been in the fall economic statement alongside the claim about savings? Does it just belong in public accounts? Where and how do you think that should be reported, so that we meet an acceptable bar of transparency?

**Mr. Yves Giroux:** That's an interesting point. When a government decides to embark on a cost reduction or efficiency initiative, it owes it to parliamentarians at the very least, and Canadians more generally, to be clear about its objective—what's within scope, what's out of scope, the year when it will begin, the year when it will start to apply, when it will mature and all that—and the criteria it will use to determine what is effective spending and what has to be cut or let go of. I haven't seen anything like that for the exercise for which the government claims credit for things that should happen in the future, but the government claims credit for what's happened in the past. I haven't seen any such criteria for the more strategic policy review that is still to be done.

However, in this strategic policy review that has yet to begin, there is still scope for the government to lay out what's in scope, what's out of scope and what criteria will be used to determine what will be cut and what will not be cut, so that public servants working in these areas or groups or stakeholders who receive or benefit from government spending in these areas have an idea of what to expect.

• (1705)

**Mr. Daniel Blaikie:** What would you say are some of the candidate reportable items? If you were reporting out on cost-saving measures, would you anticipate seeing a reduction in staff for a particular program? Would you anticipate seeing a reduction in successful applicants? Would you anticipate having some kind of allusion to reordering procurement contracts and showing savings? It

wouldn't necessarily be revealing the contract but saying that we used to pay  $x$  for the supply of this good and now we're paying  $y$ .

What are some of the things you would be looking for in a report by government in order to validate its claims about cost savings?

**Mr. Yves Giroux:** First of all, I should say that professionally I am agnostic as to whether the government embarks on that or not. That's a government decision. The government has made its decision known that it will do strategic reviews. Now that it has decided to do that, I think it has a duty of transparency. To your question, I expect the government to clearly identify which areas and which programs and to provide a “before and after” picture, so that my office can have a pretty good idea as to whether these targets will be met or will not be met.

For example, let's say the government were to say that we want to reduce our footprint. What's the starting point and what's the end point so that we can measure the accuracy of the government's claims? If it's a reduction in the number of employees, it's the same thing, although that's more easily measurable. We have numbers for that. If it's grants and contributions in specific areas, it's the same thing. What were the numbers before and what's the end point that the government has in mind?

**Mr. Daniel Blaikie:** With respect to some of the measures we were talking about earlier, such as the Canada housing benefit, the dental benefit and the GST credit, you said that the inflationary impact of those programs would be negligible. I'm curious to know, of the \$54 billion or so of the new spending for the government's windfall, how much of that is accounted for by these non-inflationary direct transfers to Canadians households, which, while they don't impact inflation, surely will have a net-positive impact on Canadian household budget sheets.

**Mr. Yves Giroux:** Off the top of my head, I think it's about \$4 billion or \$5 billion in these temporary measures, plus the dental benefits. As to the \$52 billion in total, even though the \$4 billion or \$5 billion in this assistance for lower-income Canadians doesn't have a meaningful inflationary impact, once you start adding these measures, and you get from \$4 billion or \$5 billion to \$52 billion, then the inflationary impact gets obviously higher.

**Mr. Daniel Blaikie:** What would you point to as the new spending that government is undertaking to get to that \$54 billion? I mean, obviously, some of these programs are part of that, and we know they're not likely to have a high inflationary impact, but are there others that you're concerned about? How do you get to the \$54 billion? What are some of those programs that don't involve direct transfers to Canadian households?

**Mr. Yves Giroux:** I'm concerned about specific areas. For example, we see that the government has core responsibilities when it comes to serving Canadians. We've seen that with passports, old age security applications, EI applications and immigration applications. We've seen the trouble the government has had in fulfilling those services. In the fall update, rather than seeing a rejigging or efficiency gains, we've seen the government pouring more resources into those sectors to, admittedly, meet the service standards that Canadians expect of their government.

I was a bit surprised not to see a better effort at improving efficiency. We've heard throughout the pandemic that people who work from home are at least as productive as they were when they worked in the office, but that's not what we have seen. That's not what my office has seen when asking simple questions.

• (1710)

**The Chair:** Thank you, MP Blaikie.

We're well over, but that is the end of our first round.

Members, looking at the time and our second round, I'll be generous, but we are going to divide the time equally amongst the parties. If you want to prepare, in case you had two members and you want to split some time, we are starting. It will be about five minutes for each party.

We'll start with the Conservatives. I have MP Morantz up for five-plus minutes.

**Mr. Marty Morantz:** Thank you, Mr. Chair.

I will share some of my time with Mr. Lawrence.

Thank you for being here. I always enjoy your perspective on these matters.

I want to ask you about the \$14.2 billion. One of the functions of your office is to ensure that the government is being transparent with Canadians when it comes to the allocation of their tax dollars. We had the finance minister in here just a few minutes ago; you were in the room. I asked her about this, and she said something like we need to look around the corner. I asked her if she would table details of this spending, and she would not agree to do that.

Are you concerned? With \$14.2 billion—I sometimes think we get immune to these numbers when we hear about \$500-billion deficits and \$1.2 trillion in debt, but \$14.2 billion is big chunk of change.

Are you concerned and have you made these concerns known to the government that they are not being nearly as transparent as they should be with this kind of spending?

**Mr. Yves Giroux:** The government will be announcing measures, for sure. It has set aside some money. It will then announce some of those measures. It will present the gross costs. Then, in fiscal tables, it will present, minus resources already allocated, so it will present it as a net cost that is significantly lower than the gross cost.

It will be very difficult for any of us to ever reconcile that \$14.2 billion with the minus amounts previously allocated, so it will be very difficult for any of us around this room or the people who

work with us to reconcile whether all of those 14.2 billion dollars have been fully used or whether they have been double counted.

That is a concern I have. I have made that known to finance officials several times. My opinions on that are no secret.

**Mr. Marty Morantz:** Thank you very much. I appreciate that response.

We had the bank governor here a few days ago. I had a chance to ask him some questions. One of the questions I asked him was, if deficit spending had been lower over the last two years, would inflation have been less?

The reason I asked him is that the government's position all along has been that inflation is a global issue and that we see inflation in many countries, some a little bit higher, some a little bit less. What I asked the governor was to parse out this particular factor. Is government spending a factor in inflation? Would inflation be less if government spending was less? Would inflation be more if government spending was higher? He did acknowledge that lower government spending would have had a positive impact. In other words, it would have made the inflation rate a little bit lower.

I know that your mandate isn't only to do financial analysis but also economic analysis. Do you agree with the governor's response to my questions in that meeting?

• (1715)

**Mr. Yves Giroux:** It's clear that, had government spending or the deficits been lower, inflation would be lower. I don't think inflation would be 2% in the absence of a government deficit, but, without any doubt, inflation would have been lower. "By how much?" is the big question, and I don't have the answer to that.

**Mr. Marty Morantz:** That's fair enough.

I'll cede my time to Mr. Lawrence. He has about a minute, I think.

**Mr. Philip Lawrence:** Thank you very much.

I have a quick question on the inflationary impact of the carbon tax.

Tiff Macklem said that, when it was at \$40 per tonne, the inflationary effect on gasoline, natural gas and fuel oil was about 0.4%. We now see it going up to \$65 per tonne. That's about a 60% increase in the carbon tax.

Would it be fair to say that—based on Tiff Macklem's analysis, as well as your own—you could reduce inflation by upwards of a full per cent, if, in fact, the carbon tax were removed? If you don't have an answer right off, that's fine. You can get back to us

**Mr. Yves Giroux:** That's something I would have to get back to you on, because there could be substitution effects affecting the number.

**Mr. Philip Lawrence:** There's another analysis I would love to see. It's my understanding that the government, in their fall economic statement, said there will be no new spending. They haven't done that yet, in seven years.

If you took the average amount of that additional spending, taking out COVID spending.... You said that's the amount they're actually going to spend over the next five years. What would the impact be on the deficit and debt?

If you could do something like that, it would be greatly appreciated.

**The Chair:** Thank you, MP Lawrence.

We're now moving to the Liberals and MP Baker for five minutes.

**Mr. Yvan Baker:** Thanks very much, Mr. Chair. I'm going to share some of my time with MP Dzerowicz.

Monsieur Giroux, thank you for being here today.

I have a series of questions. I'm hoping they elicit brief answers, so we can get through all of them.

The first question I'd like to ask you is about the Canada workers benefit, which you spoke about recently. Would you agree that the Canada workers benefit payment amount begins to be reduced once people reach a net annual income level of \$22,944? That equates to, I believe, about \$11 per hour for somebody working 40 hours a week. Would you agree with that?

**Mr. Yves Giroux:** Yes, that's a fact.

**Mr. Yvan Baker:** Would you categorize people at this income level as being among the hardest hit, in terms of the impact of inflation?

**Mr. Yves Giroux:** Clearly.

**Mr. Yvan Baker:** Therefore, by extension, the population served by the Canada workers benefit, and those who may have received what has been referred to as "overpayments".... Those folks are having a particularly hard time with the increasing cost of living. Would you agree with that?

**Mr. Yves Giroux:** I have no doubt they have a hard time.

**Mr. Yvan Baker:** One of the things I've discovered is.... I don't know whether you've done research on this or are aware of this—or agree with this, frankly—but there are statistics showing that low-income Canadians will often emerge from the technical poverty line, only to move back below that poverty line the following year, in a very short period of time.

Do you agree with that? Have you seen data to back that up? What's your thought on that?

**Mr. Yves Giroux:** It's quite possible. I haven't done extensive analysis on movements in and out of poverty.

**Mr. Yvan Baker:** I understand.

In 2019, a study by the IRPP showed that, for vulnerable groups, the risk of poverty spikes upwards during years of high unemployment. According to the report, "This highlights the importance of having a growing, full-employment economy as the first line of defence against poverty."

Given that we have a possible economic slowdown looming, for all the reasons we know, do you think supporting vulnerable populations, in this context, is a reasonable public policy objective?

**Mr. Yves Giroux:** That's a public policy choice that is certainly very valid. I see where you're going with your questions, and I totally understand that.

My concern is not necessarily about the fact that the government made that policy decision, in and of itself. It's that it wasn't clearly stated as such in the fall economic statement. It was presented as the cost of advance payments—period—not of forgoing advance payments for those who would otherwise not have benefited.

Given the complexity of Canadian society and the tax system, I am convinced there will be cases of individuals going from \$20,000 a year, in income, to \$100,000 the following year, who will have collected the Canada workers benefit. Those are probably the two main elements of my concern, but I understand your questions.

● (1720)

**Mr. Yvan Baker:** Thank you.

I will pass the rest of my time to Ms. Dzerowicz.

**The Chair:** Go ahead, MP Dzerowicz.

**Ms. Julie Dzerowicz:** Thank you so much, Mr. Chair.

Thank you for being here, Mr. Giroux. Thanks to Ms. Grinshpoon as well. Welcome, both of you.

I'm curious about the conversation that's been had around accountability and transparency. I really think it's very important, and I very much value the job you do.

Annex 1 of the fall economic statement includes several transparency instruments. I think one of them that I was looking at was the disclosure of off-cycle spending. My understanding is that this is something that has not been done by a previous government before. Is that correct? Also, do you think this is a positive transparency instrument?

**Mr. Yves Giroux:** I'm not aware.... My memory doesn't serve me well, because I don't remember seven or eight years ago that well. I'm not sure if it had been done in the past, but it is indeed a very good instrument in outlining all the initiatives where government spending has gone in what we call the off-cycle period that is after the budget and before the fall economic statement.

**Ms. Julie Dzerowicz:** Thank you.

You've indicated a response to Mr. Blaikie's question. What transparency measures would you like to see? You've indicated a number of very helpful suggestions.

Have any of the suggestions you've made ever been done in the past, or are these suggestions in terms of moving forward?

**Mr. Yves Giroux:** It's difficult for me to answer, because in previous government reviews I was on the other side, so I was seeing everything. It's difficult to determine what was public and what was not public, but I remember.... I would be hard-pressed to say what was done in the past because I was on the dark side, so to speak, where I was advising ministers as to what to cut and what not to cut. My memory could play tricks on me as to what was publicly known and what wasn't.

**Ms. Julie Dzerowicz:** Thank you.

**The Chair:** Thank you, Ms. Dzerowicz.

Now we'll hear from the Bloc and MP Ste-Marie, please.

[Translation]

**Mr. Gabriel Ste-Marie:** Welcome to the bright side here with us, Mr. Giroux.

I have a couple of questions about the studies you released this morning, including the one on eliminating interest on federal student loans.

If you reduce the total amount of student loans by that much, it will be cheaper to get an education, which will encourage more people to do so. Has your research team assessed whether the number of students will go up?

**Mr. Yves Giroux:** This won't apply until the very end of someone's studies, at least six months after graduation. We may have been wrong, but we felt that it would therefore not have a significant impact on people's behaviour.

**Mr. Gabriel Ste-Marie:** So, from your point of view, this is more of a measure to help new graduates buy a house or weather inflation, for example.

Can you confirm that Quebec will be fully compensated on a pro rata basis for its students at the college and university levels?

**Mr. Yves Giroux:** I can't confirm that for you and I won't commit to that. As I understand it, the Quebec government will be compensated, as it always is with student financial aid measures, but only the federal government can confirm that for you.

• (1725)

**Mr. Gabriel Ste-Marie:** Thank you very much.

Another study of yours looks at the residential property flipping rule. In this study, you measure the behavioural response to this policy, which is specifically intended to change people's behaviour and discourage them from buying properties to quickly resell them, getting rich in the process.

How did your team evaluate the behavioural response? In your view, the response appears to be based on the assumption that 50% of eligible tax filers will delay selling to avoid paying tax under the new rule. Is that just one of many assumptions, or was your thinking backed by other evidence?

**Mr. Yves Giroux:** Our thinking was backed by other evidence. In particular, we used data from the Canada Mortgage and Housing Corporation on fairly quick resales in the Montreal area. We also looked at aggregated and depersonalized tax data from the Canada Revenue Agency on quick home resales. We also used data from Statistics Canada to determine the number of cases that might be

exempt because one of the co-owners dies, the co-owners get a divorce, or they change their marital status.

**Mr. Gabriel Ste-Marie:** Okay. You've been very clear. Thank you.

Your third study, on doubling the first-time homebuyers' tax credit, doesn't appear to have a behavioural element to it either.

In your opinion, would doubling the tax credit from \$5,000 to \$10,000 encourage more people to buy a first home? Or, given current residential real estate prices, would that be too marginal to change people's behaviour and, in fact, only help those who would have bought their first home anyway?

**Mr. Yves Giroux:** We consider it to be fairly marginal, given that a \$10,000 tax credit translates into \$1,500 in tax savings in the year of purchase, or in subsequent years, if there is no net tax liability.

For purchasing a property worth \$200,000, \$300,000 or more, the impact will be marginal. We don't think it will be enough to encourage many people to stop renting and become homeowners.

That's why we didn't include a behavioural effect. Again, we could be wrong, because there are certainly going to be people for whom this will be the incentive they needed. However, we don't believe that the effect is measurable or dramatic enough to change our cost estimates significantly.

**Mr. Gabriel Ste-Marie:** Thank you for your insight. I have no further questions.

Thank you, Mr. Chair.

**The Chair:** Thank you, Mr. Ste-Marie.

[English]

Now we'll go to our final questioner. We have NDP MP Blaikie for the final five minutes, please.

**Mr. Daniel Blaikie:** Thank you very much.

On the question of the anti-flipping tax, I was just curious to know, following up on your exchange with Monsieur Ste-Marie.... It's about a 50% behavioural change, if you will. The anticipated behavioural change ends up being about 50% of the cost structure. Obviously, there are reasons in people's lives why they may buy a home and then sell it within a year. Some of that is covered by exemptions. Is the remaining 50% largely, in your estimation, house sale activity that will arise but be covered by those exemptions, or is there a significant portion of that where you believe people will make enough money that it's worth continuing to flip houses even though the income will be taxed as business income?

Do you have a sense of the breakdown between what those sales that would be covered under the exemptions would be versus those sales that would simply proceed with the proceeds of the sales being categorized as business income?

**Mr. Yves Giroux:** The behavioural impact that we've included is after we have taken out all those who will be covered by the exemptions, and we believe there will be a significant portion of those who are currently flipping houses who, when they hear the words, "additional tax to be paid", will be sufficiently discouraged. Others will think that there is still good enough money to be made that it's worth proceeding and engaging in these transactions.

• (1730)

**Mr. Daniel Blaikie:** That's where the revenue that you're projecting comes from. It's from those very sales. The exemptions don't live in that table, so to speak.

Okay. Thank you very much.

I know you recently—in response, actually, to my own query—published some numbers about what kind of revenue would be generated if the Canada recovery dividend were applied to the oil and gas sector and big box stores. I was just wondering if you could share your findings in that regard with the committee, particularly with respect to the revenue generated. Could you also share what that criteria is and then how it would be applied to those businesses.

**Mr. Yves Giroux:** I would be happy to share that with the committee. If I remembered it off the top of my head, I would mention it right now, but I'm aging and I forgot the numbers. I'm sorry for that.

**Mr. Daniel Blaikie:** That's fair enough. Perhaps you could follow up with the committee. I'd be interested to have that be a matter of record.

We talked earlier about the \$54 billion of the roughly \$80 billion or so windfall that the government has seen in its revenue. Of course, we know that the government has purchased the TMX pipeline. We know that the cost of that pipeline has increased significantly.

Can you let the committee know whether those increased costs are reflected in that number? If not, why don't those expenditures appear on the government's own books?

**Ms. Kristina Grinshpoon (Director, Fiscal Analysis, Office of the Parliamentary Budget Officer):** I'm sorry. We're going to have to follow up with that.

**Mr. Daniel Blaikie:** Okay. Thank you very much.

I think you might find the answer in the fact that this investment is being run through the Canada Account, which does not relieve taxpayers of the burden of that money, but it does relieve the government of the obligation to record that expenditure where everyone can see it and apply it to the numbers that we study here at this committee.

Notwithstanding the fact that this project continues to accumulate a larger expense for Canadian taxpayers—and I think many are now of the view that not only is it going to cost Canadian taxpayers more, but that the discount at which the government will end up selling that pipeline continues to increase—those findings and those numbers never reach this table. They don't reach the government operations committee table. There is no table in Parliament where those numbers land as a matter of course for study or deliberation.

I note that if you add about \$22 billion to the \$54 billion, the government windfall is essentially completely spent. Approximately a third of that expenditure is on the TMX pipeline. We make a big deal about the \$54 billion, but I think the bigger deal that doesn't get talked about enough is the fact that almost another half of that again is being pumped into the TMX pipeline. It's hardly ever talked about here in Parliament because of what I would characterize as accounting tricks by the government.

I won't ask you for comment on that, but I will thank the committee for the opportunity to put that on the record.

Thank you very much, Mr. Chair.

**The Chair:** Thank you, MP Blaikie. That does conclude our questions.

We want to thank the Parliamentary Budget Officer, Yves Giroux, and Kristina Grinshpoon. Thank you for your testimony and for the many questions that you answered here for our study.

Members, as I have your attention, the clerk has published a notice of meeting for Wednesday where we will be going over clause-by-clause consideration. If all goes well there on Wednesday, we would then move on Monday to clause-by-clause consideration of Bill C-241.

Members, I ask that, if you do have any amendments for Bill C-241, can you get those in by Thursday at the noon hour? I think everybody's good with that.

Thank you members. Shall we adjourn?

We're adjourned.





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