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Chair: Mr. Kelly McCauley



Standing Committee on Government Operations and Estimates

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• (1100)

[English]

The Chair (Mr. Kelly McCauley (Edmonton West, CPC)): I call this meeting to order.

Good morning, everyone. Welcome to meeting number 110 of the House of Commons Standing Committee on Government Operations and Estimates.

Pursuant to Standing Order 81(5), the committee is meeting to commence consideration of supplementary estimates (C) 2023-24: votes 1c and 5c under the Department of Public Works; vote 1c under the Privy Council Office; vote 1c under Shared Services; and votes 1c, 15c, 20c under the Treasury Board Secretariat.

Just as a reminder, do not put earpieces next to your microphone. That causes feedback and potential injury to our very valued translators.

The intent is that we'll do about four rounds today. After we're done, we will do our votes on the estimates so that they can be reported to the House today.

We have with us, of course, our PBO and friend of OGGO, Mr. Yves Giroux.

Welcome back for the 15th or 20th time in the frequent flyer program. That's elite status with us. Thanks for joining us today.

Ms. Vanderwees and Ms. Giswold, welcome back as well.

I'll turn the floor over to you for an opening statement, Mr. Giroux. The time is yours, sir.

Mr. Yves Giroux (Parliamentary Budget Officer, Office of the Parliamentary Budget Officer): Good morning, 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 report on the supplementary estimates (C) 2023-24, which was published on February 22, 2024. With me today are our lead analysts on the report, Jill Giswold and Kaitlyn Vanderwees.

The government's supplementary estimates (C) for 2023-24 outline \$13.2 billion in budgetary spending authorities. Voted authorities, which require approval by Parliament, total \$8.9 billion. Statutory authorities, for which the government already has Parliament's permission to spend, total \$4.3 billion. This increase is largely driven by a \$3.2-billion increase in interest on unmatured debt.

Major areas of planned spending in the government's final supplementary estimates for 2023-24 include personnel, national defence, indigenous programs and student financial assistance.

[Translation]

Supplementary estimates (C) include a further \$409 million for budget 2023 measures, bringing total planned spending to date on budget 2023 to \$10.4 billion, excluding off-cycle measures. To support parliamentarians in their scrutiny of budget 2023 implementation, we have prepared and published tracking tables that list all budget initiatives, the planned spending amounts and the corresponding legislative funding authority.

We'd be pleased to answer any questions you may have regarding our analysis of the estimates or any other work of the Office of the Parliamentary Budget Officer.

Thank you.

[English]

The Chair: Thank you, Mr. Giroux.

We'll start with Mrs. Kusie, please, for six minutes.

Mrs. Stephanie Kusie (Calgary Midnapore, CPC): Thank you so much again for being here, Monsieur Giroux.

Of course, we're incredibly disappointed to see that the amount put forward by the government is \$7 billion more than we had anticipated in terms of their planned deficit. As we've seen with them, this is a trend. The numbers start at a certain level. Then they get worse and they get worse and they get worse, as we have seen with ArriveCAN.

In your report on refocusing government spending, you say that \$500 million was planned to reduce consulting, other professional services and travel, with \$350 million from professional services. Did this include a decrease in consulting costs?

Of course, we've seen with ArriveCAN that this government loves its relationship with consultants, with Liberal insiders. Consulting costs under this government continue to balloon, so did that include a decrease in consulting services, please?

• (1105)

Mr. Yves Giroux: The refocusing of government spending, the \$500 million in savings for the fiscal year that is ending this year, has \$150 million coming from travel services and a reduction in travel expenditures. The remainder, \$350 million, is expected to come from a reduction in consulting services. These amounts have already been frozen by the Treasury Board. Departments cannot access them.

We asked for details on these expenditures. We find that a significant portion of them will indeed be reductions in consulting services, but for some departments, there were no details provided. Because the reductions will come from general expenditures, it's difficult to be absolutely certain that the totality of the \$350 million will be a reduction in consulting services.

Mrs. Stephanie Kusie: All right.

In reviewing your report, it seemed to me—having been a public servant in charge of cost centres, I have a good understanding of them—that for the two major areas of defence and indigenous services, these were either funds that were in reserve or were just going to be given back anyway. In my opinion, the Treasury Board president certainly has failed on the objective that she set for herself back in July or August, I believe.

The Privy Council Office found \$1.3 million by streamlining management structures, but from the recent ArriveCAN study, it seems that management is too complex to ensure accountability and compliance throughout the system. That has led to the astronomical cost overruns that we've seen in ArriveCAN.

Do you think that all departments should begin looking at streamlining management and services to be more efficient and to ensure that there are cost savings in the organization and in outcomes? What would you recommend, based upon what you've seen, both within your reporting and with the ArriveCAN scam scandal?

Mr. Yves Giroux: When it comes to management in the public service, some of you may know that there are executive-class executives in the executive group. There are five levels, from EX-01 to EX-05, and in addition to that there are deputy ministers, including associate deputy ministers. It's not uncommon for departments to have five levels of executives, with one or more associate deputy ministers and one deputy minister.

It leads to a situation in which an employee can have seven levels of management above them, including EX-01 to EX-05, an associate deputy minister and a deputy minister.

There is certainly room for de-layering, as some would say, and it's something that was considered many years ago in the public ser-

vice. Some EX classifications would be collapsed, leading to three layers of executives as opposed to five, which can have its own drawbacks by adding to the approval process and leading to many other issues.

The short answer to your question is yes: There's room to reduce some levels of executives in the public service.

Mrs. Stephanie Kusie: I think that's evidenced by our long-time inability, because of the several layers, to determine who approved GC Strategies. As well, as we've seen, this gives different levels of management the ability to blame each other. I think it definitely would improve accountability, further to your point.

Throughout the ArriveCAN scam study, we've seen that there is significant missing documentation. Have you encountered this as you've been completing your studies in your role as head of the PBO?

Mr. Yves Giroux: We don't have the same role. I don't have the same role as the Auditor General, so I don't always need to have the same level of documentation as the AG.

In general, I have found that the information that we have needed has been provided by government departments. As I said, we don't have the same mandate, so we don't require the same level of proof.

In general, we have not had major issues in getting the documents that we need for the purpose of the types of reports that we have been preparing for the benefit of parliamentarians.

Mrs. Stephanie Kusie: What I'm hearing consistently from your reports and through your evaluation is, I think, also what we've concluded on this side of the table: The problems that we're seeing in the ArriveCAN scam are endemic throughout government.

Thank you very much, Mr. Chair.

• (1110)

The Chair: Thank you, Mrs. Kusie.

Mr. Bains, please go ahead, sir.

Mr. Parm Bains (Steveston—Richmond East, Lib.): Thank you, Mr. Chair.

Thank you, Mr. Giroux, and your team, for joining us again today.

Richmond residents have the longest life expectancy in Canada. As we look ahead to consider our future economic position, how much will the benefit to the elderly increase in the medium and long terms? What is the benefit?

Mr. Yves Giroux: We've seen, either in the main or in the supplementary estimates, that benefits for seniors will amount to about \$81 billion this year, and they're expected to rise to more than \$90 billion over the foreseeable future. By 2028-29, they're expected to reach \$99.7 billion. They're expected to increase by between 5% and 7% per year in the next couple of years.

Mr. Parm Bains: Have the increasing costs as a result of an aging population had an effect on your long-term projections?

Mr. Yves Giroux: Yes. The aging population obviously has an impact on the long-term sustainability of all levels of government in the country, including the federal and provincial governments. However, we find that the federal government, because of the nature of its own spending, is still sustainable.

When we last checked in July, when we last released a report, despite the aging of the population, federal finances were still sustainable, due to the very nature of the government's spending, which consisted mostly of transfers to individuals and to other levels of government.

Mr. Parm Bains: I'm going to switch to the Department of National Defence.

According to your department, one-fifth of the proposed budgetary spending is for national defence, and this includes \$591 million for the Canadian multi-mission aircraft project, \$510 million for the strategic tanker transport capability project and \$235 million for the North Atlantic Treaty Organization's assurance and deterrence measures in Europe.

In 2014, when Russia invaded Crimea, the Harper government's funding for the CAF fell below 1% of GDP. With the addition of the items just mentioned, what per cent of Canada's GDP is allocated to military spending now?

Mr. Yves Giroux: We have not done a recent update, since April 2022, of the Government of Canada's spending on military expenditures as a share of GDP. That's something we are considering doing.

It's not as straightforward as it may sound, because the NATO definition not only includes spending on national defence but also spending on veterans issues as well as the Canadian Coast Guard, among other things. The calculation of the proportion of GDP that goes to national defence under the NATO definition is not always straightforward, so I don't have an updated figure, unfortunately.

Mr. Parm Bains: We haven't completed that exercise.

Mr. Yves Giroux: The Government of Canada may have, but we have not updated that figure since the last time we published it in 2022.

Mr. Parm Bains: Can you please provide an update on the impact of policy interest rate increases on debt servicing costs, and can you describe implications for the government's expenditure plan?

Mr. Yves Giroux: We estimate that this year's spending on debt servicing costs will be about \$46 billion, and with the interest rate increases and the time it takes for the impact to be fully felt on the stock of debt as government debt gets refinanced progressively, we expect that amount to increase to \$62 billion by 2028-29.

• (1115)

Mr. Parm Bains: How much do the estimates provide for implementation of Jordan's principle?

Mr. Yves Giroux: I'll have to go back.... Jill tells me....

Go ahead, Jill.

Ms. Jill Giswold (Senior Analyst, Office of the Parliamentary Budget Officer): In supplementary estimates (C), we saw \$804 million for the continued implementation of Jordan's principle. That was for 2023-24.

Mr. Parm Bains: There are some negative values in the supplementary estimates. What do these figures represent? Do you see this often?

Ms. Jill Giswold: Is that for Indigenous Services, or...?

Mr. Parm Bains: I mean any of the negative values that have been seen. You can pick whichever one you like.

Ms. Jill Giswold: I can provide one example. It can often be for transfers between organizations. If you see a negative amount, it could be from one organization transferring that amount to a different organization, so you'll see—

Mr. Parm Bains: Is that common?

Ms. Jill Giswold: It is, but it requires parliamentary approval, which is why you'll see it come through the estimates in order for the transfer to be made.

The Chair: Thanks very much, Mr. Bains.

Mrs. Vignola, go ahead, please.

[Translation]

Mrs. Julie Vignola (Beauport—Limoilou, BQ): Thank you very much, Mr. Chair.

Mr. Giroux, Ms. Vanderwees, Ms. Giswold, thank you very much for being with us.

We received the supplementary estimates (C) in February. We then received the main estimates for 2024-25, except that the federal budget itself will be tabled on April 16, 2024. What does that tell us about the main estimates data we've received?

Mr. Yves Giroux: This indicates that the main estimates you are being asked to approve as parliamentarians present only a very partial picture of the government's plan. It contains the budget appropriations you are being asked to approve, but none of the budget initiatives. So it's a very partial picture, since it doesn't include the measures that will be presented by the Minister of Finance on April 16, but you're still being asked you to consider it, approve it, or at least debate it. That doesn't give you a clear picture of what the government wants to do over the course of the year.

That's also why, when you, as parliamentarians, receive the government's budget on April 16, you won't see the same amounts that you will have seen in the main estimates at all, because the federal budget is tabled after the budget appropriations. So the numbers don't match up at all. It would be simpler to reverse the order of things so that the federal budget is tabled in February, for example, which would allow Treasury Board officials to include more budget measures in the estimates and make these two documents comparable or at least better aligned with each other.

Mrs. Julie Vignola: Okay. If I understand correctly, things are kind of done backwards at the moment.

Mr. Yves Giroux: Yes, it's a little backwards, at least in terms of the supply procedure for departments and agencies, since you are being asked to approve most of the funding for departments before the federal budget, that is to say the government's budget plan, is tabled.

Mrs. Julie Vignola: Earlier, you were talking about interest on the debt, which is increasing, particularly because interest rates are also going up. However, budgets are also increasing, reaching levels that are not even comparable to what we saw during the pandemic. However, the support programs put in place during the pandemic have ended. What could explain this exponential increase in spending and, ultimately, interest on the debt?

Mr. Yves Giroux: A number of measures have been introduced over the years. Some of them were related to COVID-19, obviously, and they expired. In previous documents, it was estimated that a good part of the budget flexibility over the years, \$180 billion out of some \$500 billion, as I recall, applied to expenditures unrelated to COVID-19.

This is reflected in the fact that the government's operating expenses are 50% higher than before the pandemic. That's quite considerable. Spending on staff is also significantly higher than before the pandemic, and there are many more full-time equivalents in the public service. As a result, from year to year, total compensation or staff costs have been steadily increasing, even though pandemic supports have expired or are no longer needed.

• (1120)

Mrs. Julie Vignola: I'm going to circle back briefly to one of your previous reports, on the carbon tax. It's actually from 2022, so it's not that old. I'm going to summarize it to put us all back in context, but I advise everyone, including the general public, to read the Parliamentary Budget Officer's reports, because your analyses, which cover a host of subjects, are very enlightening.

The report talked about the net cost of carbon to households and the tax and economic implications, and compared the current situation to that of 2030 or 2031, when the tax will be at its highest in dollars per tonne of carbon emissions. Overall, if I understand correctly, eight out of 10 households, mainly low-income households, receive and will receive a little more money than they pay in carbon tax annually, and mainly the wealthiest are penalized, ultimately. Is that correct?

Mr. Yves Giroux: Yes, that's a solid interpretation of the conclusions of our successive reports that have estimated the impact of the carbon tax.

When we look at the direct costs of the carbon tax, for example when you heat with gas or fill up your car with gas, the indirect costs, for example the goods and services you buy that have an energy component, as well as the goods and services tax, in other words, when we look at everything that is paid as well as all the rebates paid to consumers or households, we see that, in the provinces where the federal carbon tax applies, about 80% of households receive more in rebates than they pay. The 20% who pay more than they receive are primarily high-income households, because obviously they consume more. That's not to say that all low-income households receive more than they pay, but on average, that's what the consumption models show by income bracket.

[English]

The Chair: Thank you very much.

Mr. Bachrach, please go ahead for six minutes.

Mr. Taylor Bächrach (Skeena—Bulkley Valley, NDP): Thank you, Mr. Chair.

Thank you, Mr. Giroux, for your presentation. I'm sorry that I'm not there in person.

It's not directly related to the supplementary estimates, but a few days ago there was some reporting on the proposed cuts to Indigenous Services and to the Crown-Indigenous relations department. I believe it was around \$417 million over three years. I saw that you were quoted in the article, so I thought I'd use this opportunity to ask you about it.

These cuts come at a time when many indigenous communities, including those in northwest B.C., are struggling to deliver basic services for their communities in the face of scarce financial resources from the federal government.

We know that indigenous communities struggle with serious housing issues, with poverty and with transportation challenges, particularly in the north. The ministers have said that these are not going to impact service delivery. I find that somewhat difficult to believe.

I'm wondering if you can unpack for us how cutting \$417 million could not impact service delivery when it comes to Indigenous Services and Crown-Indigenous Relations and Northern Affairs.

Mr. Yves Giroux: I think it's a bit early to be certain that there won't be any impacts on services.

However, based on what the Indigenous Services and the Crown-Indigenous Relations and Northern Affairs departments told us, and based on the information that was provided, it seems that the savings will mostly come from reserves, at least in the first year—reserves that Indigenous Services has set aside to, I think, attend to unforeseen events. It is possible that these savings will not lead to significant reductions in services, but there will be a reduction in some travel expenditures. That's what we've been told by the departments.

If it's true that there won't be any impact on services, it probably means that these are savings that would have taken place anyway—for example, money that would not have been spent during the fiscal year and that would have lapsed or that was returned to the centre in terms of funding that was not necessary for the delivery of the mandate.

As I said, we've received these general terms, so there's not a lot of information. If we take that at face value—and there is no reason not to believe that information—it seems that there won't be a meaningful impact on Indigenous Services.

• (1125)

Mr. Taylor Bachrach: I'm looking at this article. Indigenous Services claims that the focus is going to be on things such as travel, consulting and grants and contributions.

To me, those are all directly connected to the delivery of services. I think that members of the public who are trying to understand these budget matters are wondering, if there's money just sitting there that's not being used efficiently, why that has been allowed to persist, and if it was being used to deliver services, why it is getting cut.

How should a member of the public distinguish between something that is unnecessary and something that is actually a cut to services that communities depend on?

Mr. Yves Giroux: That's indeed a very good question. If there are savings that are painless, the question that this raises is why these funds were not saved before.

One point that you raised that also concerns me—and I've raised it before—is savings in terms of grants and contributions to organizations. Typically, in the Indigenous Services and Crown-Indigenous Relations and Northern Affairs departments, if there are savings to be had for grants and contributions—and it's apparently after consultations with stakeholders—then I'm not certain that it will be easy to achieve a reduction in spending on grants and contributions to indigenous organizations. I don't see how these would be achieved if they don't reduce services to indigenous populations.

However, again, we have received very little information as to the details of that. That's something that will be quite interesting to see as it unfolds over the next fiscal year, the one that starts on April 1.

Mr. Taylor Bachrach: You were quoted in the article as saying that details are too vague to be able to say at this point whether service delivery will or won't suffer, which I think reflects what you're saying today. At what point do you feel you will have a line of sight on that question of whether services are impacted by these cuts?

Mr. Yves Giroux: I think it's once we determine or we know which organizations are receiving lower amounts or no grants at all. That's the point at which we'll know the impact on services.

Mr. Taylor Bachrach: Will you be looking into that as a normal matter of course in your work, or would it require a request from the committee to undertake that inquiry?

Mr. Yves Giroux: It probably would require a motion from the committee, as I would not normally look at that granular level of detail.

Mr. Taylor Bachrach: Thank you very much, Mr. Giroux.

Mr. Chair, that's all I have for my first round.

The Chair: Thanks very much.

Now it's Mrs. Block for five minutes, please.

Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC): Thank you very much, Mr. Chair.

Thank you, Mr. Giroux and your colleagues, for joining us today.

The recent Auditor General's report on the ArriveCAN scam found that it was extremely difficult to follow the money. In her estimation, Canadians did not receive value for the money spent. We have the procurement ombudsman's reporting on an extreme lack of documentation throughout the procurement process and on interesting practices like bait and switch.

In your role as the Parliamentary Budget Officer, it is your role not only to provide Parliament with an analysis of macroeconomic and fiscal policy but to also help us in raising the quality of parliamentary debate and providing greater transparency and accountability. I certainly appreciate the role that you play.

As numerous investigations are undertaken and reports and audits continue to be tabled, what concerns you the most about the spending of this current government?

• (1130)

Mr. Yves Giroux: That's a broad question.

I'd say that what concerns me the most is the disconnect between the increased level of spending, which is a policy choice, and the performance indicators that don't seem to be markedly improving.

Departments and organizations have to adhere to performance indicators. They determine which indicators they'll be following and they also determine the targets that they aim for. Over time, we've seen an increase in the number of public servants and in public expenditures, but year after year, despite the fact that departments choose their performance indicators and the targets, they don't seem to be getting significantly better at reaching them.

I've used the analogy before with some of your colleagues. It's as if the students determine the topic of the test as well as the pass mark, but a portion of them still fail. That's what worries me with the increased level of spending. We increase spending, and as taxpayers we provide more resources. Despite that fact, while there are some sectors in the public service that are doing great, others seem to be trailing behind, unfortunately.

Mrs. Kelly Block: Thank you very much.

I have to believe that you're also concerned with the amount of debt that the government is serving at this time. In your report, you mentioned that there is an increase of \$3.2 billion in interest payments on unmatured debt, and I'm really interested in that. For this past fiscal year, this means that total interest payments on unmatured debt will reach \$36.8 billion, and that came from your report.

In that report, you also specifically referred to total interest payments on unmatured debt. My understanding is that unmatured debt is essentially debt that is not yet due. Is that correct?

Mr. Yves Giroux: Yes, but it's also excluding some other interest-bearing obligations such as the obligations the government has towards the pensions of public servants. The interest on the debt is what really matters, and it's expected to be \$46.5 billion this year.

Mrs. Kelly Block: You beat me to my next question. Are there further interest payments that the government is paying on matured debt that are not included in the \$36.8-billion number that you cited?

Mr. Yves Giroux: Yes. As I mentioned, interest on the unmet obligations of the government toward pension plans of its employees also adds to interest on unmatured debt. The debt servicing costs are what really matter, and they are expected to reach \$46.5 billion this year.

Mrs. Kelly Block: Thank you so much.

The Chair: Thank you, Mrs. Block.

Mr. Sousa, please go ahead, sir.

Mr. Charles Sousa (Mississauga—Lakeshore, Lib.): Thank you, Mr. Chair.

Thank you for being here again today to discuss some of the mechanics and some of the alterations to the budget as we go forward.

As you can appreciate, a budget is a living document, so things change. Things have to be assessed and things have to be modified accordingly, and of course your job is to look forward. The Auditor General looks at what has happened in the past; you're trying to assess what decisions are being made and how they can affect us going forward. It's an important task and very important work that you do as a result.

There are lots of discussions about the big items that you have in your report. National defence, FTEs, indigenous communities, social programs and interest on debt are all major items, I believe, that you highlighted as being issues that have changed or maybe have been increasing.

However, you also have lots of frozen allotments. You have realignments of previous spending and how we're refocusing spend-

ing to deliver to Canadians. I think you broke it down into those two sections.

Before I get into the items that are affecting some of the changes as a result of the increases, can you reaffirm what the frozen allotments are? What realignment of parts of government is taking place to offset some of these issues?

• (1135)

Mr. Yves Giroux: Frozen allotments are amounts that have been approved by Parliament but that the Treasury Board—as a group of ministers—has decided to freeze so that departments cannot access them. You can freeze these amounts for a variety of reasons—waiting for certain conditions to be met, for example, or to ensure that these amounts don't get spent and are reallocated to other initiatives. That's in a nutshell what frozen allotments are usually done for. It's two broad categories.

We found that they're amounting to almost \$12 billion in 2023-24, and \$7 billion of that is to be reprofiled to subsequent years. These are amounts that won't be spent in the current fiscal year but in subsequent fiscal years, and about \$500 million of that is repurposing government spending.

Mr. Charles Sousa: In your opinion, are those appropriate measures to take, given some of the constraints that are before us? Are you engaged? Do they give you some forewarning as to what is being repurposed or how it's going to proceed?

Mr. Yves Giroux: I don't get forewarnings. However, we can ask for details from the Treasury Board Secretariat as to the amounts that are being frozen or reprofiled. We can, if we want, get into the weeds as to exactly what's being reprofiled.

To the first part of your question on whether that's a good way to measure, I think it is. When central agencies, as we call them—Treasury Board Secretariat—see that this money won't be needed, it's prudent management to ensure that it is frozen to ensure that it doesn't get spent on other purposes and is reprofiled to future years, or if there's a savings target, that the money is frozen to ensure that it doesn't get spent by departments.

Mr. Charles Sousa: In terms of interest on debt and what happens going forward, can you give a sense to this committee, and to those who are watching, of what interest on debt is as a percentage of our overall budget today, as compared with what it was 10 or 20 years ago?

Mr. Yves Giroux: I have a proportion of the overall revenues that interest on debt represents. It's about seven-point-something per cent. I don't have the exact number in front of me. It will be rising to about 10% over the next few years. That's been increasing.

Before the pandemic, it was slightly above 6%, but in my lifetime it's certainly reached levels that were much higher than that. It was above 30% in the early 1990s.

Interest on the debt as a share of federal revenues used to be much, much higher. It's much lower than it used to be at its peak, but it's increased compared with the record lows it reached just before or during the pandemic.

Mr. Charles Sousa: I'm well aware that in previous governments interest was a substantial percentage of the overall budget. It was a substantial amount. Frankly, there were higher interest rates back then too. There wasn't as much planning in terms of locking in those bonds and issues over longer periods of time. This government—

The Chair: I need you to wrap up, please.

Mr. Charles Sousa: I'll proceed in my next round of questions.

The Chair: Thanks very much.

Ms. Vignola, go ahead, please.

[*Translation*]

Mrs. Julie Vignola: Thank you very much, Mr. Chair.

Mr. Giroux, let's go back to the carbon tax. Even though Quebec doesn't pay it and it represents about 0.15% of total inflation, off the top of my head, I think it's interesting to put things in perspective.

You said earlier that this year, roughly eight out of 10 households will receive more than they paid out in tax. Will it be the same in 2030-31?

Mr. Yves Giroux: We believe that it will obviously be the same thing because, although the amount will increase, the structure will remain the same. There have been no major changes to the carbon tax.

Just to let you know, we will probably be updating our distributional analysis, given that some provinces have signed on for the carbon pricing system since our last report and some adjustments have been made to exclude heating oil. So we will be updating that analysis in 2024. However, essentially, the 80% figure should not change much because, even if tax goes up, its structure remains the same.

• (1140)

Mrs. Julie Vignola: Is that still true when you consider that the goods and services tax is paid on the carbon tax? Do the amounts stay more or less the same, or does the situation change, both today and in 2030?

Mr. Yves Giroux: There should be no change, because our analysis already includes the GST paid on the carbon tax, the tax on tax. We already include the 5% GST in our analysis.

Mrs. Julie Vignola: In terms of this tax on tax, wouldn't it be better to do it directly? Of course, there's a risk of losing a bit of money, but wouldn't it be simpler, from a tax standpoint, to manage

a tax, whatever it may be, that's calculated directly on the initial amount, and not on an amount that already includes a tax on a tax? I'm exaggerating a bit, but this compound interest—I won't go so far as to compare it to loansharking—is still substantial.

[*English*]

The Chair: Please make it a short answer.

[*Translation*]

Mr. Yves Giroux: This is obviously something that irritates consumers a great deal. Quebec residents experienced it until a few years ago, when the Quebec sales tax was calculated on an amount that already included the federal goods and services tax. This is something that irritates people a great deal and, yes, it may be simpler to calculate the tax only on the initial amount rather than on an amount that includes a tax.

[*English*]

The Chair: Thank you very much.

Mr. Bachrach, it's over to you again, sir.

Mr. Taylor Bachrach: Thank you, Mr. Chair.

Mr. Giroux, I dug into the tracking tables you provided, which are very helpful in connecting the supplementary estimates to the various budget commitments that the government has made.

If I'm reading this correctly, there's \$10 million in the supplementary estimates (C) for 2023-24 for implementing the national action plan to end the tragedy of missing and murdered indigenous women and girls. This issue has a tremendous impact in the region that I represent. I'm curious about the number, if I'm reading that correctly, and whether it's supplemented by any other financial commitments by the government or whether in fact that represents the government's annual investment in that very important work.

Mr. Yves Giroux: We'll probably have to get back to you on that question, because although we have the supplementary estimates here, we don't have the overall government spending for the year 2023-24, and certainly not by that level of detail, program by program.

I would think there's more to it and that the amount you mention, the amount in the supplementary estimates (C), is only an addition to what the government plans on spending for this, because the fiscal year is drawing to an end. It would be very surprising if that were the only amount on that specific initiative.

Mr. Taylor Bachrach: Okay. Thank you.

Switching to a different topic, I was noticing in your report that on the student loan changes and the financial impacts of waiving the interest on student loans, you see the number of loan writeoffs declining over time, but I also noticed there's quite a spike in writeoffs between, I believe, 2021-22 and 2022-23.

I'm just wondering. This is in Figure 2-5. There's a graph there. Between 2021-22 and, it looks like, 2022-23, the number of write-offs seems to have spiked fairly considerably. I'm just wondering if that's related to the pandemic. What effect are we seeing there?

Mr. Yves Giroux: I think the pandemic played a part, because the government made some policy decisions to suspend some repayments during the pandemic, but there's also an inherent volatility in decisions to write off, because it depends on recovery activity and repayment and how certain economic conditions can affect that. There's always some volatility in writeoffs and repayments because of the trigger that can be triggered or not, like the decision points, so there's always volatility in programs like that when it comes to writing off debt that is deemed unrecoverable.

The Chair: Thank you very much.

Mr. Taylor Bachrach: Thank you, Mr. Chair.

The Chair: Go ahead, Mr. Genuis, please.

• (1145)

Mr. Garnett Genuis (Sherwood Park—Fort Saskatchewan, CPC): Thank you very much, Chair.

Thank you, Mr. Giroux, for your excellent work.

My colleagues asked some important questions about the government's arrive scam scandal and the costs associated with that. When talking about this scandal to people who are involved in government, one point of feedback I often get is that this is just the tip of the iceberg. People see the ballooning of contracting out and the number of firms involved in so-called staff augmentation and middlemen.

I wonder if you could help us get a sense of the magnitude of contracting out in general, and I'll ask some specific questions related to pieces of that.

How much are we spending in a given year on contracting out functions of public service delivery?

Mr. Yves Giroux: To give you an order of magnitude, we estimate that there is about \$21 billion in contracting out. That includes, obviously, consultant fees and consultant services, but it also includes assistance or professional services that are not available in the public service. For example, if you are building warships, you don't necessarily expect all of the expertise to be available at the Department of National Defence.

Mr. Garnett Genuis: Can I just jump in on that?

Mr. Yves Giroux: Sure.

Mr. Garnett Genuis: I was thinking about the instances of contracting out that maybe seem more plausible and legitimate than the ones that seem less plausible and legitimate.

I came up with a typology by putting it in three buckets. Let's say one bucket is specific "hard tasks": The government says, "We just don't have people who know how to do that within government." That's one bucket.

Another bucket might be management consulting. For example, this committee has done work on McKinsey, an organization brought in to offer general advice on direction and management

consulting. The third would be pure middlemen, people who are hired to hire other people, like GC Strategies.

Within that \$21 billion in contracting out, could you try to give us a sense of the magnitude of each bucket?.

Mr. Yves Giroux: In looking at what you've laid out in terms of categories, I'd say the vast majority are probably what one would describe as "hard tasks"—for example, the expertise the public service doesn't have, or services that are needed to contract out to provide health services to remote first nation communities.

Consulting services would probably be much, much lower, at a billion or two. I don't know the exact numbers, and the—

Mr. Garnett Genuis: I'll just jump in and we can go back and forth. A billion or two is smaller than the total of \$21 billion, but a billion or two is still a lot of money.

Can you give us a sense, when you say a lower proportion, of what kind of numbers we would be talking about for those management consulting and middleman buckets?

Mr. Yves Giroux: The management consulting, or the consulting services.... We did a report that indicated the broad categories. I don't remember it off the top of my head, but what I remember is that it was about 10% of the overall total—maybe less.

For the pure middleman, there was no such category, because it could be embedded in all of these categories. For example, somebody who wins a contract could then turn around and subcontract it to somebody else. It's very difficult to figure out the proportion that would be the pure middleman, as you named that category.

Mr. Garnett Genuis: Right. I guess this speaks to the lack of proper records. Is that right?

With the arrive scam issues specifically, the Auditor General's estimate is that we're looking at close to \$20 million that went to GC Strategies. It didn't apply any hard skills. Close to \$8 million went to Dalian. That's already half of the total, and those were areas where we know there were no hard skills applied.

Just to summarize what you said, this government is spending about \$21 billion on contracting out, with \$2.1 billion of that going to that management consulting category. The middleman category is a black box. We don't know. Is that...?

Mr. Yves Giroux: I wouldn't bet my salary on the \$2.1 billion. That's from memory. The pure middleman is anybody's guess.

Mr. Garnett Genuis: Well, in this government, you get a bonus regardless of how good of a job you do, so you don't have to worry about it.

I'm just joking.

Sir, the numbers here are, I think, quite striking, because we hear this narrative from the Liberals across who say that any reduction in spending is going to impact service delivery, but this clearly shows that there's waste within the government in contracting out for things that don't need to be contracted out.

I thank you for your testimony. If there's anything you want to follow up on, I'd appreciate it.

• (1150)

The Chair: Thank you very much.

Mrs. Atwin, please, go ahead.

Mrs. Jenica Atwin (Fredericton, Lib.): Thank you, Mr. Chair.

Thank you, Mr. Giroux, for joining us, as always.

I want to return to some of the questions that my colleague Mr. Bachrach asked around Indigenous Services Canada. I have a particularly vested interest in this piece.

First, I'd like to highlight for anyone at home or for anyone who is not familiar with Jordan's principle that it's certainly critical in ensuring that we're filling any of those jurisdictional gaps among provincial and federal governments for child and family services for indigenous peoples across the country. It's a very important investment. On behalf of the government, I'm very proud of this.

I'd like to ask you specifically, Mr. Giroux, if you have noticed an increase in spending for Indigenous Services Canada over the last couple of years.

Mr. Yves Giroux: Yes. In fact, there's been a very sharp increase over time in spending for Indigenous Services.

If memory serves me well—it's usually not a very good indicator—it went from about \$18 billion in 2021-22 and reached \$47.5 billion in the current fiscal year of 2023-24. It's a significant increase in spending for Indigenous Services.

Mrs. Jenica Atwin: Excellent. Thank you.

In your analysis, you mentioned that a large amount of proposed spending relates to indigenous claims. Can you elaborate on that? Also, how does this compare to years past?

Mr. Yves Giroux: Indigenous claims are claims that are made by indigenous groups against the Crown for past wrongdoing.

The government has made it clear that it wants to settle as many of these claims as possible, so it's shown an openness to settling some of these claims. As a result, the government had to set aside money to settle the claims.

I don't have the exact amounts of money specifically set aside for settling claims, but it's something we can provide in writing at a later point.

Mrs. Jenica Atwin: Great. Thank you very much.

Again, this is just a general comment from me in my role as parliamentary secretary to the Minister of Indigenous Services Canada on protecting service delivery, of course, for communities across the country.

I'd like to switch a bit now. A general question that I think most Canadians are really looking for the answer to is when you believe inflation will reach the target rate of 2%.

Mr. Yves Giroux: It's an interesting question and one we've been asked quite often.

We released our economic and fiscal outlook a couple of weeks ago. Based on what we see on the economic front with economic data, notably with the decrease in global commodity prices, we expect the inflation rate should return to its 2% target level by the of the current calendar year, which would allow the Bank of Canada to start reducing its interest rate.

We believe that economic conditions would be sufficient to allow the bank to start decreasing its rate in April. It may choose to wait a bit to be on the safe side to ensure that all inflationary pressures have subsided before it starts reducing it, but based on our economic model, economic conditions suggest the interest rate of the bank could start decreasing in April. In our model, we anticipate inflation to return to 2% by the end of the current calendar year.

Mrs. Jenica Atwin: Great. My next question was about those interest rates, because everyone's very much paying attention to those rates as well.

Maybe perhaps I'll pick up where Ms. Vignola left off around carbon pricing.

If we were to pause that 23% increase on April 1, would we see a dramatic decline in food prices across the country?

Mr. Yves Giroux: I don't think that we can see prices decreasing. That would mean deflation, which is also very bad. What we could see is probably a slightly slower increase in prices, slower than what is anticipated.

Mrs. Jenica Atwin: Great.

How about housing costs across the country? If on April 1 that increase was paused, would you see a dramatic change in the affordability measures for housing across the country?

Mr. Yves Giroux: I'm not sure the carbon tax and the price on carbon has a significant impact on housing prices. It's mostly related to supply and demand for housing, so I don't see that pausing an increase in the carbon tax would have a significant impact, certainly not a measurable impact, on housing prices.

• (1155)

The Chair: Thank you very much.

Mrs. Jenica Atwin: Thank you very much. I just wanted to clarify some things for Canadians.

Thank you.

The Chair: Thanks, Ms. Atwin.

Mrs. Kusie, go ahead, please.

Mrs. Stephanie Kusie: Thank you very much, Chair.

I'm going to go back, Monsieur Giroux, to the line of questioning my colleague had around the deficit spending.

This year's spending has increased to \$493.7 billion, which is an increase of \$50.4 billion. You state in your economic outlook that the deficit is projected to resume its downward trajectory if there are no new measures and if existing measures sunset, but, as I indicated in my first round, this is not consistent with the government's spending patterns.

Based on this government's record, and the fact that new measures are already being introduced, do you expect this to be accurate? My colleague asked you what area of spending is most concerning to you. Do you believe the projected resumption of the deficit's downward trajectory is possible, is accurate, based upon your comments?

Mr. Yves Giroux: When we release our economic and fiscal outlook and we project the deficit going forward, it's assuming no new fiscal measures, because it would be very difficult to include potential measures. What would we include and how much new spending or tax measures would we assume to be introduced? That's why these figures are status quo, based on what we know at the time we put this economic and fiscal outlook to bed.

However, what we have seen in the past is that whenever the government tables a budget or a fall statement, the track for spending tends to go upwards, which is a policy choice.

Am I certain the fiscal track we released in the fiscal outlook will be the one that materializes? I don't think it will happen, because the government will introduce new measures, which is why governments get elected, but—

Mrs. Stephanie Kusie: Historically, we'll change that, as the Conservative government, but pardon me; continue.

Mr. Yves Giroux: The Minister of Finance indicated she wants the deficit in 2026-27 to be, at most, 1% of GDP. By our estimate, the status quo would suggest it will be at 0.8% of GDP. That suggests there's not that much room for manoeuvring in that fiscal year if the government wants to maintain the deficit at 1% of GDP in 2026-27 without increasing taxes.

Mrs. Stephanie Kusie: Of course, we're looking at the implementation of lofty programs, such as the dental program, the proposed pharmacare program on which the current government's power hinges, and the failed child care system they tried to implement.

Going back to my colleague Mr. Genuis's comments about the IT middlemen, I note there's been a reduction of 49 full-time equivalents in the procurement department at a time when we are trying to eliminate the middlemen due to the incredibly bloated costs we saw

with the arrive scam scandal. This is a result of those 49 positions not being filled when they became vacant.

Is this a trend you're seeing occur in other departments and agencies as well?

Mr. Yves Giroux: No, I'm not aware of that particular instance of a reduction in FTEs. What we've seen over time is that the number of FTEs has in fact increased. Personnel spending has also increased.

There are obviously isolated cases of reductions in FTEs in specific programs or sectors. However, overall, the size of the public service has consistently increased over time.

Mrs. Stephanie Kusie: To that point, spending on public service personnel has increased to \$67.4 billion, which is up from the \$63.3 billion spent last year.

Are you aware of whether that increase is due to staffing levels or salary increases?

Mr. Yves Giroux: It's a combination of increases in both the number of FTEs and salary or remuneration costs per FTE. In the last numbers I saw, there was an increase of, I think, 18,000 FTEs in the public service, up to 438,000, and the last number I saw was \$125,000 and a few hundred dollars in personnel costs per employee per full-time equivalent.

• (1200)

Mrs. Stephanie Kusie: Thank you very much.

The Chair: Thanks very much.

Mr. Kusmierczyk, please go ahead, sir.

Mr. Irek Kusmierczyk (Windsor—Tecumseh, Lib.): Thank you so much, Mr. Chair.

Thank you so much, Mr. Giroux, for being here with us. It's always a pleasure to get your insights and to spark what is always an enlightening discussion.

In 2022, at the height of the global inflation crisis that was rocking countries around the world, Canada had about an 8% inflation rate. I was heartened to hear that you believe the inflation rate in Canada will go down this year.

Can you repeat when you expect the number to reach 2%, which is our target rate?

Mr. Yves Giroux: We expect inflation in Canada will go down to 2% by the end of the calendar year—by the end of 2024—and that over the entire year, it will average 2.4%. We expect the inflation rate for calendar year 2025 to be 1.9%.

Mr. Irek Kusmierczyk: This is an incredible drop, 8% to 2%, and will be much welcomed by Canadians.

Help me understand that drop.

You know, a year ago, I was listening to the Conservatives intently. The Conservatives were screaming at the top of their lungs that we need to cut federal spending for programs like child care. They were saying, “Cut child care.” The Conservatives were saying, “Cut spending for dental care.” They were saying, “Cut spending on major investments like the battery plant in Windsor”, which provided two and a half thousand jobs for my community. They were saying, “Cut public spending on investment in things like the Canada child benefit.” They were saying all of these things—“Cut all these programs”—yet the inflation rate dropped from 8% to 2% without our government cutting spending on things like child care, dental care, the Canada child benefit and investments in job creation like the battery plant in Windsor.

Help me understand the decrease in inflation. Were the Conservatives wrong?

Mr. Yves Giroux: The Governor of the Bank of Canada probably explained it better than I can when he indicated that government spending—not just federal government spending, but also public spending at large—was not helping the Bank of Canada's fight against inflation. I won't put words in his mouth, but that's what he indicated.

I think what will be successful in achieving a 2% inflation rate is mostly the Bank of Canada's monetary policy. It's the bank increasing its interest rate to 5% through successive increases, which I think will allow it to attain its 2% inflation target and start decreasing interest rates in the current calendar year.

Mr. Irek Kusmierczyk: Is it a fact that the inflation rate has gone down while the government still maintained significant, strong investment in Canadians? Is it fair to say that the inflation rate went down from 8% to 2% while the federal government still maintained strong investment in Canadians?

Mr. Yves Giroux: You're absolutely right to say that. We have not yet reached 2%, but based on our forecast, it should be that by the end of the calendar year. You are right.

Mr. Irek Kusmierczyk: Let me ask you about military spending, because you talked about the fact that a big chunk of these supplementary estimates is for defence.

When Stephen Harper was prime minister in 2011, the Conservative government introduced three years of painful austerity cuts to the military. It was \$1 billion in 2012, \$2 billion in 2013, and \$1 billion in 2014. That's how the Conservatives brought military spending to below 1%. It was absolutely woeful.

What impacts did those Conservative cuts in our military have on the military?

• (1205)

The Chair: Give a 10-second answer, please.

Mr. Yves Giroux: I'm afraid I'm not the person best placed to indicate to the committee the impacts of previous non-spending decisions on the military.

Mr. Irek Kusmierczyk: We'll come back around if there is another chance for that.

Thank you so much, Mr. Giroux.

The Chair: Thanks, Mr. Kusmierczyk.

Next we have Mrs. Vignola.

[*Translation*]

Mrs. Julie Vignola: Thank you very much, Mr. Chair.

Mr. Giroux, I like it when you appear because, when you answer questions, you're impartial, you're direct, and the information you give us is virtually unfiltered. I really like that.

When we refer to your data, I think it's important to mention it in its entirety, and not just when it suits one party or another. There are more than two sides to any coin. That's a fairly significant thing, because we represent not only those who voted for us, but also all Canadians, who need to be properly informed. That's what you do in your reports, and I reiterate that it's important to go and read them.

The carbon tax doesn't apply to Quebec or British Columbia, because they have taken other measures. However, this tax applies to the other Canadian provinces because they have taken no action on this.

Suppose we scrap the carbon tax and no longer have any measures in place to try to encourage people to reduce their consumption and avoid the resulting greenhouse gas emissions. What would be the economic impact of climate change on jobs, lost business revenue, and so on? Would scrapping the carbon tax ultimately be an advantage or a disadvantage, all things considered?

Mr. Yves Giroux: That's a tough question to answer. On the one hand, if the carbon tax were eliminated and not replaced by any measures, Canada's greenhouse gas emissions would probably increase a little more than the current track Canada is on. In addition, it would be perceived as disregard for the agreements Canada has signed on reducing greenhouse gas emissions.

On the other hand, if we scrap the carbon tax and don't replace it with any measures, and Canada increases its emissions by a little or a lot, I don't think it would have a significant impact on climate change, given Canada's ranking in terms of greenhouse gas emissions.

That's why I say it's difficult to answer that question in the context of a hypothetical scenario where the carbon tax is eliminated and not replaced with anything. Canada could be a free rider, do nothing and still benefit from other countries' efforts to reduce greenhouse gases. However, that would cause all kinds of issues in terms of diplomatic and international relations.

[*English*]

The Chair: Thank you very much.

Next we have Mr. Bachrach.

Mr. Taylor Bachrach: Thank you, Mr. Chair.

I'll return to this question around cuts to Indigenous Services Canada, and I appreciate my colleague Mrs. Atwin adding the context of the general trend—or, as you called it, Mr. Giroux, a sharp increase in investment since 2021.

I think both she and I know that there is a strong argument to be made that even more money needs to be invested in indigenous communities, because we still see an inequality in outcomes, whether those outcomes are in health care or education or infrastructure. There is a massive infrastructure deficit in indigenous communities that still hasn't been fully addressed.

My question is really around this \$417 million in cuts and whether that is going to result in a service delivery impact. This idea that the government increased the budget significantly and somehow overshot what the ideal budget investment is and that it now needs to reduce it a little bit to get to that perfect number seems a bit ludicrous, to my mind.

I am very interested in the question that we discussed last round, Mr. Giroux, around whether there is this slop in the budget that can simply be trimmed without any impact on service delivery or whether, in fact, indigenous communities are going to experience a tangible reduction in the services that they require.

Mr. Chair, if it's in order, I would like to move a very short motion: I move that the committee write to the Parliamentary Budget Officer and request an analysis of service delivery impacts stemming from budget cuts at Indigenous Services Canada and at Crown-Indigenous Relations.

• (1210)

The Chair: I see general agreement.

That being said, I think Mr. Giroux may have done that already. There was a similar one that the committee asked.

Is this with regard to the reported \$400 million or \$500 million?

Mr. Taylor Bachrach: I am simply moving this motion in response to our previous round of discussion in which he indicated that a request from the committee would be helpful in—

The Chair: That's fair. What I am saying is that I'm just checking with Mr. Giroux if he has already done that as part of the request we made a couple of months ago with regard to the announcement of the half billion dollars.

Is it the same, or is this a separate one?

Mr. Yves Giroux: It would be for a different fiscal year. What we did the last time around was for the current fiscal year. What Mr. Bachrach is asking, I think, relates to the upcoming fiscal year and the following year, so the one—

The Chair: I was just clarifying that, Mr. Bachrach.

We seem to be in agreement, colleagues, don't we? So be it.

(Motion agreed to [*See Minutes of Proceedings*])

Mr. Taylor Bachrach: Thank you, Mr. Chair.

The Chair: Thanks, Mr. Bachrach.

Mrs. Block, you're up, please.

Mrs. Kelly Block: Thank you.

This government obviously saw the pandemic as an opportunity to shovel money to their friends. We saw this with the multiple ethics breaches by members of this government in giving contracts to Liberal insiders and personal friends.

While the government may say that all the spending was justified and necessary due to the pandemic, your own office stated that \$204.5 billion, roughly 36%, in spending from March 2020 to April 2022 was not pandemic-related.

Despite all this extra spending—or maybe because of all the extra spending—Canadians are worse off. All we need to do is look at the example of the ArriveCAN scam and your own observations or concerns in response to a question I asked today regarding the increase in spending versus the performance of the public service.

My question to you would be this: How will the cost of the increased debt that we have incurred as a result of this wasteful spending affect the government's ability to deliver services moving forward?

Mr. Yves Giroux: It's an interesting question, in the sense that it's something that the government has to pay and that we have to pay, regardless of future decisions, because the debt is a debt, and we have to pay interest on it.

We can look at what would have happened had we not seen an increase in debt or what would have happened in the absence of increases in interest rates. A simple way to look at that is to assume what would have happened without the increase in debt servicing costs. The simple answer is that it's money that could have been spent on other things—on, for example, reducing taxes—or spent on other proposals.

That's a highly hypothetical scenario, because we don't know exactly what would have happened in the absence of this additional debt servicing cost. Other decisions would have led us on a different track, obviously.

Mrs. Kelly Block: I'll ask the question a bit differently. Should the debt carrying costs have an impact on planned spending for the upcoming year?

Mr. Yves Giroux: They will undoubtedly have an impact, because the moment you have to use more of your revenues towards servicing the debt, there's lower spending on other things and other priorities—all other things being equal, of course.

Mrs. Kelly Block: In your report you mentioned that the estimates include a \$1.4-billion acquisition of shares in the Canada growth fund. I'm sure Canadians would appreciate understanding what this Canada growth fund means, and a \$1.4-billion acquisition of shares.

Is this \$1.4 billion in addition to the \$15 billion that was earmarked for this fund, or is it simply a part of it?

• (1215)

Mr. Yves Giroux: My understanding is that it is a part of it, but it's not something that we have done a report on. My understanding at this point is that it's one part of the \$15 billion.

Mrs. Kelly Block: Are you aware if this new Canada growth fund is going to be set up in a similar way to the green slush fund?

Mr. Yves Giroux: I'm not yet aware of the governance issues around the Canada growth fund.

Mrs. Kelly Block: As another question, in the Department of Public Works and Government Services estimates, there is a line vote 1c for funding for a cybersecurity certification program for defence contracts. That was in budget 2023 at \$798,000. Can you tell me if this is for defence contractors who are employed by the government?

Mr. Yves Giroux: I don't know the exact details of this item.

Mrs. Kelly Block: It's a bit of an interesting question, given that it would appear that the witness we had here at committee last week, the chief security officer for a company that was contracted by the government, did no real work when it came to those security assessments. I'd be really interested to know whether we're funding individuals within the public service or if this is supposed to help those external consultants actually check off a box when they're looking to procure contracts with the government.

Mr. Yves Giroux: I think that's a question that would be better answered by the deputy minister at PSPC, or the minister, unfortunately.

The Chair: We will have them here on Wednesday, so you can re-ask then.

Mr. Jowhari, please go ahead, sir.

Mr. Majid Jowhari (Richmond Hill, Lib.): Thank you.

Welcome to our committee, Mr. Giroux. It's good to have you and your team here. Once again thank you very much for the time that your team provided a couple of weeks ago when we had a comprehensive review of the estimates—the main estimates as well as the supplementaries—and the department plan, as well as the result.

Also, we had an opportunity to talk about the great report that you put out on March 5 on the economic and fiscal outlook. Thank you very much. In that report there was a lot of good news, and we actually promoted that on our social media. The report talked about the fact that it is projected that inflation will get to about 2%. We are on the right trajectory for the bank to start reducing the interest rates, possibly as early as the second quarter of this year, and the trajectory for the debt-to-GDP ratio is decreasing.

You also highlighted a number of things that we need to watch. You indicated that economic growth might be a bit sluggish and that this could result in excess supply, which will put a downward pressure on prices, helping with inflation. However, you highlighted the increase on the debt service cost, and that's a substantial increase. Hopefully, the decrease in the interest rate will be some help.

It is very interesting to me, and I want to ask some questions around the percentage of deficit to the GDP. You talked about a

projection of about 0.8%. Can you give me a sense of how much this 0.8% would be? What do we need to do when we talk about wanting to eliminate the deficit? What are some of the 170 measures, on the 2023 budget that's been proposed, that need to either be reduced or eliminated?

Mr. Yves Giroux: Thank you for doing a very good summary of our economic and fiscal outlook. I should probably borrow that.

The 0.8% of GDP that's expected to be the deficit in 2026-27 is about \$25.1 billion. That is 0.8% of the GDP in 2026-27.

When it comes to how the government could go back to balance if it wished to do so, it could of course reduce spending. It could reduce the speed at which spending increases. It could also choose to increase revenues. There are multiple ways through which it could choose to return to balance. Cutting some specific budget measures is also a possibility.

• (1220)

Mr. Majid Jowhari: Let's talk about those cuts. To reduce costs, with an extension, I understand that some programs might take longer.

What would be the top three programs that, if we want to get to that zero deficit, government would be in a position to cut?

Mr. Yves Giroux: That's a policy decision for which you as parliamentarians are better qualified to determine than I am.

Mr. Majid Jowhari: You're not going to walk into this trap. Okay, I got it.

The point I'm trying to make is that for us to get to that balanced budget and zero deficit, we have to extend the time, we have to reduce, or we have to cut.

What is there to cut? Are you going to cut the \$10-a-day day care program? Are you going to cut the dental program? Are you going to cut a lot of programs that have been rolled out as part of those 170 measures that have brought so much prosperity and have helped us to be able to recover so fast?

Thank you very much. I found the report—the economic and fiscal outlook—very helpful. I intend to promote that, because I think it sends a very positive message. You also fairly highlighted the areas that Canadians should be watching. To me, that's great.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Jowhari.

Mr. Scheer, welcome back to OGGO. Go ahead, please.

Hon. Andrew Scheer (Regina—Qu'Appelle, CPC): Thank you very much, Mr. Chair.

I was hoping that we could have a discussion about the looming carbon tax hike that the Prime Minister is planning for April 1.

You did a comprehensive study of the carbon tax, and you not only looked at the direct cost but also at the total cost.

On page 3 of the report, it says “Household net cost of the federal fuel charge—fiscal and economic impacts”.

I'm sure there are lots of Canadians who are following this very closely because they know how high prices are and they're afraid of how high they're going to jump on April 1. Can you explain what “fiscal and economic impacts” means?

Mr. Yves Giroux: The fiscal impact is the impact of paying the tax directly—for example, filling up the gas tank or paying for gas to heat the home. There's also the indirect cost. For example, if you buy a service or goods, there's an energy component embedded, plus the GST that's applied to that tax. That's the fiscal cost.

The government sends a cheque or a rebate, so the fiscal impact is the difference between what you pay, indirectly and directly, minus the rebate. On that front, we estimate that 80% of households get more than what they pay.

There is also the economic impact, which takes into account that some sectors will be negatively affected by the carbon tax. The transportation sector and the oil and gas sector are obvious examples. They'll presumably be negatively affected by a carbon tax that progressively increases.

When we also take that into account, we find that households will have lower employment in some sectors and lower investment income. We find that here, the result is the opposite: Once you take into account the fiscal and economic impact and the changes in the economic fabric of the country, households are seeing a negative impact from the carbon tax when including both the amounts that they pay and the economic impact on households.

Hon. Andrew Scheer: In other words, the fiscal impacts are where the tax is applied directly. When I see that on my fuel bill—when I fill up my car or I see that on my heating bill—that's the direct cost. The rebate was only built around capturing that cost, but you're saying today that all the other cascading effects of the carbon tax increase will have a cost to Canadians.

Mr. Yves Giroux: Yes. There is an adjustment in the economy that's expected to take place by reducing our use of fossil fuels. That will have impacts, certainly in the short term, while the economy adjusts. That increases the costs, for example, of transportation companies, which presumably will have lower profits to redistribute to shareholders, for example.

● (1225)

Hon. Andrew Scheer: Higher costs get passed on to consumers. That's a factor too in the economic cost. It's the indirect cascading effect. As a trucker has to pay his share of the carbon tax, that has to be accounted for somewhere through, as you say, either lower wages or lower profits back to shareholders.

With that in mind, are the majority of Canadians better off or worse off, even after you factor in the rebate?

Mr. Yves Giroux: Well, once you factor in the rebate and also the economic impacts, based on our modelling, the majority of households will see a negative impact as a result of the carbon tax.

Hon. Andrew Scheer: Okay.

You've broken down in this chart what are called “quintiles”. For those not familiar with that word, it basically means you take incomes and divide them into five groups, from highest to lowest. Is that right?

Mr. Yves Giroux: The highest is quintile one, and the highest, we can call them MPs, but we call them quintile five.

That's a joke.

Hon. Andrew Scheer: I'm looking at this chart. Even the middle quintile, the third quintile, is a net loser in the province that I'm looking at. In Alberta, even after you factor in the rebate, the net cost is such that the middle quintile, the middle-income earner, is \$1,460 worse off. It's a little over \$100 a month.

In Saskatchewan, my home province, they're \$929 worse off, even after the rebate. In Manitoba they're \$1,000 worse off, even after the rebate. In Ontario it's \$1,200. In Nova Scotia they're \$1,100 worse off, even after the rebate, and in Prince Edward Island it's \$1,118 and in Newfoundland and Labrador it's \$680.

In most of these cases, we're talking about an extra \$100 a month in costs, even after the rebate. Am I reading that correctly?

Mr. Yves Giroux: These are averages, of course, and it varies across provinces, depending on the particular economic conditions and the industrial structure of each province and jurisdiction.

Hon. Andrew Scheer: Okay.

The Chair: Thank you very much. That is our time.

Mrs. Atwin, go ahead, please.

Mrs. Jenica Atwin: Thank you very much, Mr. Chair.

Mr. Giroux, following up with this line of questioning and some of the numbers you quoted, does this include any costs associated with, say, environmental damages—for example, forest fires, impacts to the agricultural sector, shorter growing seasons, droughts or floods? Are there costs associated with these that are captured in those numbers you've just suggested?

Mr. Yves Giroux: No, because they are very difficult to estimate in the short term. We've made that point quite often.

It's very difficult to determine which part of forest fires or natural disasters are due to climate change and which ones would occur normally anyway. It's very difficult to determine these aspects. They're unfortunately not included. However, we tried to estimate the cost of climate change over a longer period of time in another report. This report is available.

It's very difficult to determine the impact of climate change in the short term. We have done a horizon between now and 2030. For the carbon tax, it would be very difficult to determine the costs of climate change over such a short period of time. Even though there are impacts that are known, they are difficult to measure.

Mrs. Jenica Atwin: How about health? We can consider air pollution impacts, for example, or even incidences of, say, Lyme disease exposure here in my part of the country. There are, of course, health impacts as well. Are there costs associated with those that you could highlight for us?

Mr. Yves Giroux: There are obviously costs. When we saw the wildfires last year, it was obvious that the people who were suffering from respiratory illnesses and who were in these surroundings were suffering from the wildfires, but it's very difficult to estimate these costs. In good part, that's why we have not tried to estimate these.

Another reason is that even if Canada were to emit zero greenhouse gases, there would still be climate change because of what happens, and what would continue to happen, in other countries. That's why it's very difficult to estimate the cost of climate change and put that in perspective with the cost of acting on the climate.

Mrs. Jenica Atwin: Do your calculations include the cost of doing business as well with some of our trading partners, and what those additional levies would be, say, if we're sending items to the United Kingdom that don't have that carbon pricing included?

• (1230)

Mr. Yves Giroux: It's clear that there would probably be some carbon border adjustment if Canada were to do nothing on climate change, but it's very difficult to determine exactly what these costs would be in the absence of more information as to the timelines for not doing anything.

It's also difficult to determine with a high level of certainty what the response would be from our trading partners if we were to do nothing when it comes to climate change. What would be their reaction? What would they deem to be sufficient or insufficient? What's the trigger for our trading partners?

Mrs. Jenica Atwin: Also, would it capture some of the foreign investment around that zero emission economy that we're really trying to build here in Canada—for example, the \$30 billion just in the automotive industry?

Mr. Yves Giroux: I think that would probably be a slightly different issue.

The government has a zero emissions vehicle mandate, so even if we were to move away from a carbon tax, while it would probably mean that internal combustion engines would be slightly less expensive to operate, there would probably still be a need for electric vehicles, given the zero emissions mandate that the government has announced and will be putting in place.

Mrs. Jenica Atwin: How about the net job increase around renewable energy, and the electric vehicle industry? Are there numbers to account for that as well?

Mr. Yves Giroux: No. That's a whole different category of issues.

The government has introduced a number of tax credits to stimulate green energy, the use of hydrogen, and carbon capture and storage, and we have not tried to measure the impact of these in terms of jobs and economic activity because they are separate measures.

Mrs. Jenica Atwin: In general, if we didn't have some of these regulatory pieces in our plan, do you think that companies and corporations would have made some of these deliberate decisions to move away from fossil fuels and into a more renewable and green economy, just as an opinion piece for you?

Mr. Yves Giroux: It's very difficult to express an opinion on that, given that companies' decisions to invest are based on a number of factors—the regulatory environment, the social environment and so on. This would be one aspect of it, but it's very difficult to express an opinion that takes into account only one aspect.

The Chair: Thanks very much.

Go ahead, Ms. Vignola, please.

[Translation]

Mrs. Julie Vignola: Thank you very much, Mr. Chair.

Mr. Giroux, thank you again for your very welcome comments and impartiality.

Mr. Chair, my colleagues talked about ArriveCAN several times, but other questionable software applications are being implemented. I'm forced to move a motion I gave notice of on February 28. It pertains to the cost of these applications. I have to do this despite the fact that I still have—I think you're starting to know me after five or nearly six years—15,000 questions. You already have the text of the motion in both official languages, and I'll read it:

That, given that:

(i) the Auditor General has found that the ArriveCAN application has cost taxpayers at least \$60 million and that the Canada Border Services Agency's management of public funds with respect to the ArriveCAN application has been disastrous;

(ii) the Canada Border Services Agency is currently working on implementing an official, digital system of record to apply international trade policies for commercial duties and taxes for importers and trade chain partners, known as the CBSA Assessment and Revenue Management (CARM), and that this new system will come into effect for everyone on May 13, 2024, despite a short trial period and limited testing;

(iii) the government procurement website canadabuys.canada.ca states that contracts awarded to Deloitte for the development of the CARM project have a minimum value of several hundred million dollars;

Pursuant to Standing Order 108(3)(c), the committee

A. orders the Canada Border Services Agency to produce, in both official languages, unredacted copies of:

a. all signed contracts relating to the development and implementation of the CARM project since the beginning of 2018;

b. all CBSA communications relating to the 2018 Deloitte technical specifications;

c. all CBSA communications relating to CARM Release 2 testing since October 2023; provided the documents are submitted to the committee clerk no later than 15 days following the adoption of this motion; and

B. once the documents have been received by the committee that it invite the President of the Canada Border Services Agency to testify at a 2-hour meeting to answer the committee's questions about the contract for the development and implementation of the CARM.

Yet again, we're facing a situation where millions of dollars are being injected into an application, and where, once again, there has been limited testing of and a very short trial period for this application. The purpose of the motion is, therefore, to know exactly what happened and the test results. Indeed, we want to avoid Phoenix 2.0. In this case, though, it's not the pay of public servants being attacked, but rather, Canada's entire trade system, meaning everything passing through our borders. That's why I'm moving this motion today.

• (1235)

[English]

The Chair: Thank you very much.

This went out on February 28, so everyone received it a fair while ago. It's mostly a document request, with a request for one meeting.

Mr. Sousa, go ahead.

Mr. Charles Sousa: Thank you for the motion.

As you know, I think CIIT has already passed a motion to study CARM and I think they're expecting to do it soon, so the question is whether we need to duplicate the work when we have already agreed upon so many other motions today.

My issue is that we have quite a bit on the go and a lot of requests for material, and another committee is already proceeding to do so.

The Chair: Go ahead, Madame Vignola.

[Translation]

Mrs. Julie Vignola: I understand my colleague's concerns, but as he knows full well, every committee takes a unique approach. We look at the process. The Standing Committee on Industry and Technology will look at the consequences on industry, among other things.

I want to ensure that we avoid the kind of situation we had with Phoenix. It's true that there are many documents; I'm well aware of that fact. I needn't tell you that I'm reading tens of thousands of pages relating to the other requests for documents that we've received.

Nonetheless, in light of the approach we need to take and the committee's objective, namely to ensure that whatever procurement process used is adequate, proper and appropriate, I believe that this motion is relevant to our committee as well. It's essential to avoid mistakes such as the ones we've seen in recent months.

[English]

The Chair: Thank you.

Go ahead, Ms. Atwin.

Mrs. Jenica Atwin: Thank you, Mr. Chair.

I'm looking at the timeline that's been suggested and I see that 2018 is the reference point. I'm proposing a friendly amendment before an official one: It's that maybe that number could be 2010.

I'm aware that CBSA got funding for this project in budget 2010 to begin with, so it may be useful to look at it from that starting point.

The Chair: I understand what you're saying, but you can't do friendly amendments. You can propose an amendment.

I'd only offer up the concern that getting documents that far back is certainly going to destroy Ms. Vignola's 15-day timeline for the order production. That's just a comment.

However, if you want to put through an amendment, we can debate that.

Mrs. Block is next.

• (1240)

Mrs. Kelly Block: I recognize that you have encouraged Ms. Atwin to consider doing something different. Will there be any debate on the amendment she's proposing?

The Chair: No amendment has been put forward.

Mrs. Kelly Block: Oh, okay.

The Chair: We're on Ms. Vignola's motion.

Ms. Atwin, I see your hand is up.

Mrs. Jenica Atwin: I move to amend the motion so that under paragraph A.a., I suggest the date be amended to 2010 instead of 2018.

The Chair: Okay.

Does anybody wish to speak on that?

Go ahead, Mrs. Block.

Mrs. Kelly Block: Thank you, Mr. Chair.

While I understand the intent of Ms. Atwin's amendment, I'm a little confused about going all the way back to 2010 when we're talking about ArriveCAN specifically in this amendment and a new initiative that the Canada Border Services Agency is currently working on.

I don't know what the timeline is in regard to when they began work on this project. However, I'm not sure it's useful to go all the way back to 2010 when we're talking about issues we've seen at our border services agency with this new digital system.

Thank you.

The Chair: Go ahead, Mr. Sousa.

Mr. Charles Sousa: I think some of the reasons we—

The Chair: Is this on the amendment?

Mr. Charles Sousa: Yes, it's on the amendment.

One of the reasons to do so is that the project we're discussing—the CBSA assessment and revenue management, known as CARM—was actually ongoing for some time prior to ArriveCAN. The process of establishment and some of the issues that precluded it from coming to be may be worth pursuing and understanding.

Hence, we would suggest going back further to then identify more effectively what has been done in respect to it.

The Chair: Go ahead, Mrs. Block.

Mrs. Kelly Block: Again, Mr. Chair, CARM was, I believe, introduced in 2019. Therefore, my question still stands as to the relevancy or the need to go back to 2010.

The Chair: Go ahead, Mr. Sousa.

Mr. Charles Sousa: It was actually not a new initiative; it was introduced in 2010. It has nothing to do with ArriveCAN per se. It was something that was introduced. For us in this committee to have a better appreciation of what it's about, we have to go back to the beginning.

The Chair: Seeing no one else, can we vote on the amendment?

Mrs. Kelly Block: On a point of order, Mr. Chair, where are you getting this information from?

The Chair: That's not a point of order.

Mrs. Kelly Block: Okay.

I believe the committee is being misled about the creation of CARM. Perhaps we'll take that off-line, but everything I'm looking at on the Government of Canada website says it was introduced in 2019.

The Chair: I understand.

I'll get to you in a second, Mr. Bachrach.

I'm not sure if anyone wants to share that, but if it didn't exist before 2019, it will certainly make it easy to get documents going back to 2010.

Mr. Bachrach, go ahead, sir, on the amendment.

Mr. Taylor Bachrach: That was going to be my point, Mr. Chair. The date is somewhat irrelevant. We're essentially looking for all documentation related to the project. I think going back further ensures that we receive all of the relevant documentation. If there isn't any for those years, it's not going to show up.

The Chair: I apologize for stealing your commentary.

Are we ready to move ahead on the amendment? We're basically just changing it to 2010.

Do we need a vote, colleagues, or are we just fine moving ahead on the amendment?

We will do a recorded vote on it.

(Amendment agreed to: yeas 7; nays 3 [*See Minutes of Proceedings*])

The Chair: Great. It is amended. We're back to the motion as amended.

Are we ready to move on that one, colleagues?

Seeing no one for the speaking list, do we need a vote on it, or can we consider it...?

Go ahead, Mr. Sousa.

• (1245)

Mr. Charles Sousa: We appreciate that we're going to go back further.

Now, with respect to paragraphs A.b. and A.c., there's some discussion among us.

Mr. Garnett Genuis: Chair, on a point of order, my understanding is that you called the vote. I thought Mr. Sousa was going to comment on whether he wanted a recorded vote or not.

The Chair: No, I didn't get to that point. I wish we had got to that point.

Mr. Garnett Genuis: He's going to filibuster some more. Okay.

Let's just adopt it.

The Chair: Go ahead, Mr. Sousa.

Mr. Charles Sousa: Now we're talking about the amended motion. Is that correct?

The Chair: That is correct, sir.

Mr. Charles Sousa: Right.

As we go forward, we're having some deliberations on how to now proceed with respect to the communications as they relate to Deloitte's technical specs and the testing. These are items A.b. and A.c.

We would like to remove them. We would like to put forward a motion to remove A.b. and A.c.

The Chair: You're moving an amendment to remove A.b. and A.c. Is that correct, Mr. Sousa?

Mr. Charles Sousa: That's correct.

The Chair: I have Mr. Kusmierczyk to speak on the amendment.

Mr. Irek Kusmierczyk: Yes.

This is something that obviously I have been saying for quite a long time. It is that we need to balance the fact that we want to get information in our hands with the production of papers to make sure that we are not putting undue stress on the officials and the staff who are working to bring these documents forward, but I fully agree with the contracts being included. I support this motion.

I think generating all correspondence dating back to 2010 may actually slow down this process. I will support it because I like the focus on the contracts. I think that is information that is pertinent and I think it is information that can actually be generated quite quickly.

Just for the purposes of being more surgical in what we request and being more balanced, I will support the amendment that was brought forward by my colleague.

The Chair: Mr. Genuis is next.

Mr. Garnett Genuis: Thank you, Chair.

I want to observe that we're seeing the breathtaking hypocrisy of Liberal members here. On the one hand, they're saying, "Let's go on a fishing expedition and ask for documents in one part of this motion, going all the way back to 2010, when the project didn't even exist." At the same time, they're saying, "Let's remove from the motion more contemporary requests for documents because, well, it's just too many documents and it takes too much time to get them."

How absurd is it that Liberal members want to add document requests that go far back into history and at the same time want to remove document requests on contemporary events because they say, "Well, it's just too many documents to request"? What a hypocritical farce.

The Chair: We'll go to Mrs. Vignola and then Mr. Sousa.

[*Translation*]

Mrs. Julie Vignola: I'll quickly respond. Far be it from me to use those same adjectives. Rather, I'm going to explain why I want points b and c.

Point b asks for "all CBSA communications relating to the 2018 Deloitte technical specifications". We're asking for the technical specifications because they will tell us how the application was designed, as well as what the objectives were. We've seen recently, in the Auditor General's report, that sometimes, requests are vague and the results are just as vague. The technical specifications will tell us whether that's the case here.

If that is the case, point c follows. It asks for "all CBSA communications relating to CARM Release 2 testing since October 2023". We're talking about an application that will be used to control trade and collect taxes at the Canadian border, to the tune of billions of dollars. There's no room for error, as was the case with Phoenix. That can't happen. The technical specifications will tell us what testing was undertaken, and those results will help us to ensure that there won't be any problems.

Before the application is fully deployed, this is an opportunity to ensure that no mistakes were made and to make corrections before problems occur if there were mistakes or flaws or if the results were not as conclusive as we would hope.

That, too, is our role. We need to plan, to see the bumps on the road ahead and remove them, in order to properly manage all duties and taxes under our purview in the short, intermediate and long term. That's why points b and c are important and why I can't accept my esteemed colleague's amendment.

• (1250)

[*English*]

The Chair: Thank you, Mrs. Vignola.

Mr. Charles Sousa: Thank you for your point of view. I appreciate what you're getting at. We do want to make it relevant in terms of the review.

To the point made by my other colleague across the way, if he doesn't believe anything existed prior to 2018, I'm not sure why he's getting so upset. The fact is that this did come to be around 2010, and since then, we have an opportunity now to review it in its entirety, even the testing.

With respect to the ramifications of items A.b. and A.c., incorporated within item A, that is what we're dealing with. I appreciate the sensitivity of ensuring that the program works and initiates what it's intended to do. That's why we feel that, under item A, it's appropriate.

I know my colleague wants to interject even further.

The Chair: Mr. Jowhari, please go ahead.

Mr. Majid Jowhari: Thank you, Mr. Chair.

We've talked about two things. One was dating back to 2010. It is important for us to go that far back, because that defines the genesis of the project. What was the requirement? What drove it? What has changed since then?

My understanding is that this thing dates back to 2007, when strategies were being developed, so it is important for us to go that far back, not because we are trying to cause more work but for understanding what drove things and what has changed since then. That's number one.

Number two is the extent that A.b. and A.c. are going to in providing all the task documents and all of those things. As someone who has done a lot of business transformations in technology and has seen product development and product life cycles, I don't think many of us are qualified to look at test data or test results, because then you have to qualify an understanding of where the test results are coming from, who developed the test cases, whether unit testing has been done and where this data is coming from. Who's doing the scenario?

However, if we limit it to looking at the genesis, at what was driving it and looking into the journey, if it highlights the fact that we need to be able to look at that test data, I would suggest, rather than going to that level of detail, that we look at the summary. I'm sure that there has been reporting for the first cycle of testing and the second cycle of testing as part of the project and part of the documents that have been developed. That is normal for these types of developments. The summary is always made available.

Getting access to those, I think, is a wise choice, but if we're going to the level that we get test documents and we look at test data and we analyze, we have to be in a position to be able to evaluate those. I'm not sure how many of us as MPs have been involved in developing this. You seem to be consulting everyone on everything nowadays, so you are a consultant.

To what extent are we able to spend the time to be able to assess those test cases and the test data and the results of those tests? It's questionable; however, I think it would be a wise choice to look at those documents, because I'm sure that at the higher levels, the results of the test data and the results of the testing cycle will be highlighted.

Thank you.

• (1255)

The Chair: We will call the vote on the amendment as put forth by Mr. Sousa?

It's yeas 5 and nays 5, so we're back to the original amended motion, which has us with 2010 in paragraph A.a.

Can we proceed with a vote?

(Motion as amended agreed to: yeas 11; nays 0) [*See Minutes of Proceedings*]

The Chair: Thank you very much.

We are now at Mr. Bachrach. If you want to go ahead for your two and a half minutes, we'll try....

Mr. Giroux, if you're fine, you could stick around for about another 10 minutes.

Mr. Taylor Bachrach: It looks like we're going to be right up against the bell, Mr. Chair. I'll do my best to hit it right on the nose here.

There's been some discussion at this committee about carbon pricing. I know this is a matter that's of interest to Canadians right now. I was sitting at the environment committee when ECCC was there. They reported to the committee that they estimate that the carbon price is responsible for about 30% of the emission reductions in the current federal emissions reduction plan, which I found fairly surprising. The committee has asked for their analysis so that they can better understand how they came up with that number.

It does seem that in a lot of this discussion, we're talking about comparing the option of carbon pricing to the option of doing nothing. I don't think that's an option that very many Canadians will accept. I do think that most Canadians want Canada to act on climate change to reduce domestic emissions, and to do it as inexpensively as possible.

The question for you, Mr. Giroux, is whether in your opinion there is a less expensive way to achieve the domestic emissions reductions outlined in the emissions reduction plan and in accordance with the national targets. Is there a less expensive way to do that than through the current pricing approach?

Mr. Yves Giroux: It's generally accepted that a carbon tax is an efficient way of letting players in the economy determine the best way for them individually—as individuals or corporations—to reduce their emissions.

However, we estimated a couple of years ago that as a country, if we were to rely solely on a carbon tax to reduce our emissions to meet the Paris targets, or even exceed them, the carbon tax would need to be increased significantly and get close to \$300 per tonne, as opposed to the maximum of \$170 per tonne that it's scheduled to reach in 2030.

There would be quite a bit of further increases necessary to reach our targets as a country. While the literature suggests that a carbon tax is very efficient, I don't think it would be acceptable for many Canadians to have that high of a level of carbon tax to reach our emissions target. That's why I think other measures in combination with the carbon tax are probably necessary.

I'm not surprised to hear that ECCC officials indicated that 30% of the emissions reductions are due to the carbon tax.

• (1300)

The Chair: Thank you very much.

Go ahead, Mr. Genuis, please.

Mr. Garnett Genuis: Thank you, Chair.

Mr. Giroux, you testified earlier that over \$20 billion is being spent by this government on contracting out. Of that, your estimate was that about 10%, over \$2 billion, is being spent on management consulting, and you're not able to identify, based on the available figures, how much is being spent on middlemen.

We've tried to dig into this in other places and in other committees. We've been able to identify that there are 635 staff augmentation firms. They are companies that don't actually perform IT work; they're IT staff augmentation firms. They receive contracts and sub-contract.

The government was not able to provide information about the numbers of employees at those companies, and in how many cases they were like GC Strategies and were simply companies with two people or less.

Do you have any work going on or any ability to identify across 600 companies how much money we're talking about? This is just for paying middlemen for IT work. There are likely many other cases in which we're paying middlemen. Do you have any work going on or any ability to see how much money the government is spending on this multi-layered process of contracting to a contractor for contracting?

Mr. Yves Giroux: No, it's not something that we are currently looking at. I think it would be more within the bailiwick of the Auditor General.

Mr. Garnett Genuis: I think there is a need to understand these numbers. We have asked the Auditor General to look, for instance, at specific companies already.

I think the budgeting piece here is important to get to a sense of the costs that are being spent on that. Chair, with that in mind, and since it's all the rage today, I'm going to move a motion:

According to committee testimony, the Government of Canada uses 635 staff augmentation companies or IT companies that do not perform any actual IT work themselves, and the Government does not even know how many of these companies have two employees or less, like ArriveCan contractors GC Strategies, the committee report to the House its request to the Parliamentary Budget Officer to complete a full report on the increased costs taxpayers pay due to the government using 635 staff augmentation companies and that this report is completed by June 1 2024.

I know we're close to time, so hopefully we can pass this motion quickly, Chair. I know it has now been distributed to all members in both official languages.

I will just say that this is one part of the picture, but it's not the whole picture. We see today that the government is trying to create the narrative that any reductions in spending would be devastating to Canadians who rely on government services, but that's clearly not the case, based on how much this government is spending on contracting. There are 635 companies that are IT middlemen alone for the federal government. Enormous amounts of money are being spent on contracting out and contracting to subcontract, so we would like to invite the work of the Parliamentary Budget Officer on this issue.

I hope this motion will have the support of my colleagues.

Thank you.

The Chair: Thanks.

Go ahead, Mrs. Vignola.

[*Translation*]

Mrs. Julie Vignola: Thank you, Mr. Chair.

I'd like to ask my colleague for clarification on the part stating that "the committee report to the House its request to the Parliamentary Budget Officer". Since when do we report to the House our requests to the Parliamentary Budget Officer? I think this is a first. Typically, we make a request, we wait for the Parliamentary Budget Officer's report and, then, we invite him to come give us details on his report. I don't think that we've ever reported such requests to the House.

If anything needs to be changed, that's it, because I don't see the point of doing that. Perhaps there is a point, so I'm asking my colleague to tell me why we should report to the House a request to the Parliamentary Budget Officer.

• (1305)

[*English*]

The Chair: We don't require that to ask for a report to be done. Are you putting forward an amendment to the motion—

[*Translation*]

Mrs. Julie Vignola: I would—

[*English*]

The Chair: —or are you asking Mr. Genuis to chime in on it?

[*Translation*]

Mrs. Julie Vignola: Perhaps there's a reason for it. If so, I'd like to know what it is. Otherwise, I'm simply going to ask that it be struck.

[*English*]

The Chair: We'll leave it for now, and then you can put forward an amendment if necessary.

I see Mr. Genuis—perhaps he'll address that— and then I have Mrs. Atwin.

Mr. Garnett Genuis: Thank you, Mrs. Vignola, for the question.

To clarify, in the past when this committee has made requests or other committees have made requests, the reason to refer it to the House is that it provides an opportunity for the House to pronounce

on the matter, which adds weight to it. This is what we've seen, for instance, in the case of Auditor General reports.

It's functionally the committee reporting to the House, and the House can pronounce on the matter, which allows the recommendation to carry that extra weight.

The Chair: We'll go to Mrs. Atwin and then Mr. Kusmierczyk.

Mrs. Jenica Atwin: Thanks, Mr. Chair.

Looking at the time, I would move to adjourn.

Mr. Garnett Genuis: On a point of order, Chair, can we not get this finished?

The Chair: It's a dilatory motion.

Are you looking to adjourn the debate on the motion or are you looking to adjourn the meeting?

Mrs. Jenica Atwin: It's to adjourn the meeting.

Mr. Garnett Genuis: I have a point of order, Chair.

Can you clarify that we would have resources to continue if members wanted to continue and finish this discussion?

The Chair: We have to get to the vote, but we do have resources to continue.

Mr. Garnett Genuis: Thank you.

The Chair: We'll have to get to the vote, as you are aware.

The Clerk of the Committee (Mr. Thomas Bigelow): It's five yeas and five nays.

The Chair: I will oppose as well.

(Motion negatived: nays 6; yeas 5)

The Chair: We'll go back to debate.

Go ahead, Mr. Kusmierczyk.

Mr. Irek Kusmierczyk: Thank you, Mr. Chair.

There are two issues that I have fundamentally with this motion that's been put forward. In essence, we're asking the PBO to look at and utilize its scarce resources and its office to focus on studying what are, in essence, staffing agencies.

Staffing agencies are a \$10-billion sector here in Canada. There are literally hundreds of companies that secure resources, that secure assets. The folks who own these businesses don't actually do the work themselves, but they recruit and assemble teams of folks who actually do work. That's their purpose. We see that in the IT sector. We certainly see that in the health care sector, with agency nursing. It's something that we see growing in use across the country.

I think we've missed a step here. Before asking the PBO to spend its resources on this particular study, I think that if we want to look at staffing agencies and the use of staffing agencies, it would be more appropriate to have that be part of the witnesses we bring forward here to committee first. We should study that first and get testimony from the staffing agencies, from the people who hire the staffing agencies, and from outside commentators who have been following this issue. We should get them to talk about the pros and cons of utilizing staffing agencies.

Again, I believe there is merit in looking at this issue, but I believe that the proper venue for that is first the committee before we task the PBO with looking at this.

The second issue I have is this. I noticed a steady pattern of reporting what we're doing here directly to the House of Commons. I do understand that the one purpose of the Conservatives is to slow down the work of the House of Commons and the work on delivering programs that are needed, whether it's dental care, child care, fighting climate change or debates in the House on making investments like the ones in my hometown of Windsor that brought a battery plant and two and a half thousand jobs.

We know that the Conservatives consider it a win every time they spend the time of members of Parliament in the House on motions like this one here. That is sort of their intent and their purpose.

Again, I would ask our colleagues this: If we want to look at this issue, before we spend time in the House and before we spend the time of the PBO on this particular issue, why don't we bring witnesses to committee to actually have the conversation in this venue? I think this is the place to begin, as opposed to asking the PBO to look at staffing agencies, which are, again, a commonplace industry and sector across Canada.

• (1310)

The Chair: Thank you.

I have Mr. Jowhari.

Mr. Majid Jowhari: Thank you, Mr. Chair.

The Chair: I'm sorry. Before we continue, I just want to say that we have resources until 1:15.

Mr. Majid Jowhari: I'll be short.

Since this is a task that we are asking the PBO to take on, I have two questions; Does the PBO have the bandwidth? Is it a priority, and can it be done by June 1, 2024?

I'd personally like to remove the deadline. I completely trust the PBO office and its staff to be able to do a very comprehensive job. I'd like to leave the priority up to them and I'd like to remove reporting to the House.

As such, I'm moving an amendment to remove the date of June 1, 2024, as well as remove the reporting to the House. We should leave it up to the PBO.

I'd actually like to hear from the PBO on whether this is something.... What does it take for the PBO to be able to do something like this?

The Chair: We really can't request of the witnesses if we're debating a motion, but we have an amendment put forward. We can ask afterwards.

Colleagues, can we agree to the amendment put forward by Mr. Jowhari, which is to basically keep it as it is, change the date—because, obviously, the PBO has work in its other studies—and also delete the part about reporting to the House?

We have Mrs. Vignola and then Mr. Genuis.

Please be brief.

[*Translation*]

Mrs. Julie Vignola: Thank you.

I just want to respectfully propose a friendly amendment to my colleague, one that is in line with what I said earlier. In other words, remove the part asking the committee to report to the House as well as the words “and that this report is completed by June 1, 2024”. We've never set a date and we've always received our reports very quickly, which is greatly appreciated.

That's the amendment I propose to my colleague.

[*English*]

The Chair: Mr. Jowhari has put through an amendment already, suggesting to remove the date, so we're debating Mr. Jowhari's amendment, with which there seems to be agreement.

Go ahead, Mr. Genuis.

Mr. Garnett Genuis: We don't agree with the amendment, but we're happy to move forward. If there's committee agreement to adopt the amendment and the main motion on division, we can proceed and we're done.

The Chair: Can we agree to the amendment on division?

Just to be clear, we are removing the date. The PBO will have their other work, and we're removing “report to the House.”

(Amendment agreed to on division [*See Minutes of Proceedings*])

The Chair: On the amended motion, is there agreement?

(Motion as amended agreed to on division [*See Minutes of Proceedings*])

The Chair: Before we break, we have 30 seconds. I want to get to the supplementary estimates (C) very briefly.

Do I have unanimous consent to call all the votes together?

Some hon. members: Agreed.

DEPARTMENT OF PUBLIC WORKS AND GOVERNMENT SERVICES

Vote 1c—Operating expenditures.....36,215,793

Vote 5c—Capital expenditures.....200,000,000

(Votes 1c and 5c agreed to on division)

PRIVY COUNCIL OFFICE

Vote 1c—Program expenditures.....14,170,551

(Vote 1c agreed to on division)

SHARED SERVICES CANADA

Vote 1c—Operating expenditures.....62,821,171

(Vote 1c agreed to on division)

TREASURY BOARD SECRETARIAT

Vote 1c—Program expenditures.....8,967,667

Vote 15c—Compensation adjustments.....1,171,701,202

Vote 20c—Public service insurance.....179,303,530

Vote 30c—Paylist requirements.....200,000,000

(Votes 1c, 15c, 20c and 30c agreed to on division)

The Chair: Shall I report the votes on supplementary estimates (C) 2023-24 to the House?

Some hon. members: Agreed.

Some hon. members: On division.

The Chair: Wonderful.

Mr. Giroux, Ms. Vanderwees and Ms. Giswold, thank you again for joining us. Sorry to keep you a bit late. It is always our pleasure to have you. Thanks very much, and I appreciate that you consumed only a tiny part of the allotted water, because we are trying to save money here for Canadian taxpayers.

The meeting is adjourned.

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