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Chair

Mr. Massimo Pacetti

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Wednesday, December 1, 2004

• (1535)

[English]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): We're here pursuant to Standing Order 108(2) on a study of the motion by Monte Solberg.

I give the floor to Mr. Solberg. I'll give you an opportunity to speak on the motion.

Mr. Charles Hubbard (Miramichi, Lib.): Mr. Chair, I submitted also the 48-hour notice of motion. I'd just like to have it recorded. I'm not sure if it could be debated today or not, but I certainly would hope that if time permitted we could look at it also.

The Chair: I was thinking we perhaps could look at that tomorrow, because I haven't even seen it. I know it came to my office, but we'll have a meeting for that.

Mr. Charles Hubbard: Will it be tomorrow?

The Chair: We'll take one motion at a time. If we're going to have motions every day, we'll have one meeting at a time on each motion.

I give you the floor, Mr. Solberg.

Mr. Monte Solberg (Medicine Hat, CPC): Thank you very much, Mr. Chairman.

I think the point of this motion is obvious. What we're attempting to do is meet the spirit of the throne speech amendment and the subsequent reference to the finance committee with respect to an independent budgeting authority. This motion is designed to get that process under way and make the whole process more transparent.

It's completely in accord, by the way, with the 1994 report commissioned by the former finance minister, now the Prime Minister, who at the time raised similar concerns about the transparency of forecasting methods. He commissioned a report by Ernst & Young, and I just want to take a moment to quote from it. In the executive summary of this report, it said:

The Department of Finance is keenly aware of the importance of providing accurate, credible economic and fiscal forecasts in its budgets. Credibility of, and confidence in, the budget projections can translate into greater financial market certainty, reduced financial market volatility, and lower interest rates for financing government debt.

I'll just touch briefly on a couple of the recommendations that came out of this report. Recommendation 27 states:

The Department of Finance should establish a mechanism to increase the "distance" between the economic and fiscal forecasts presented in the budget and the political process. However, the implementation of this recommendation should in no way obscure the responsibility of the Minister of Finance and the government for delivering on the fiscal plans set out in the budget.

The second recommendation that's germane was recommendation 28, which states:

To achieve greater distance between its economic and fiscal forecasts presented in the budget and the political process, the House of Commons Finance Committee should hold public hearings on the government's annual mid-year forecast update. As part of this process, the Committee should engage an independent review panel to provide a thorough objective critique of the forecasts, which would be released publicly.

This was the 1994 study commissioned by Paul Martin when he was Minister of Finance, an Ernst & Young report. Unfortunately, it was never acted upon, and I want to argue that's why we're in this position today where we have a lot of skepticism about surplus projections that are made. Of course, I would argue that based on the record of the finance minister, that skepticism is warranted, given the huge discrepancies between the forecasts and the actual surpluses.

I also should point out, by the way, that this just complements the earlier motion of my friend from the Bloc, Yvan Loubier. It sort of fleshes it out, so it's completely clear what the obligations are of both the finance committee and the department and minister.

The Chair: Thank you, Mr. Solberg.

I'm going to give the floor to anybody who wants it. If people are going over the time within half an hour, I'll impose some time limits.

Monsieur Loubier.

[Translation]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): I'll be brief, Mr. Chairman. As my colleague, Mr. Solberg, mentioned, this motion rounds out the one tabled by the Bloc. It specifies how the process will unfold in the coming months. It's obvious, therefore, that we support it. The record can even show that the Conservatives tabled the motion and that we support it.

[English]

Hon. John McKay (Scarborough—Guildwood, Lib.): Procedurally, is Mr. Loubier's motion withdrawn? Don't we have two motions on the floor at this point?

The Chair: We have one.

Hon. John McKay: Mr. Loubier's and—

The Chair: No, I'm not going to go through that again. We have one motion right now.

Hon. John McKay: What happens to Mr. Loubier's motion then?

The Chair: I have no idea. Is that a question?

Mr. Charles Hubbard: The chair should know, shouldn't he? That's his job.

The Chair: No. Are you asking the question?

Hon. John McKay: I just don't know what's happened to the motion.

The Chair: Okay, what's the motion?

[*Translation*]

Mr. Yvan Loubier: Mr. Chairman, my motion was agreed to. The Conservatives' motion complements it, but does not override it. It simply spells out how the process will unfold, which is fine by me.

[*English*]

The Chair: There's a motion that's probably going to be debated next week. Are you talking about that one or the previous one?

Hon. John McKay: Mr. Loubier has a motion on the floor that's passed.

The Chair: That's right, but it was superceded by Mr. Penson's motion

Hon. John McKay: Mr. Penson's motion? Don't you mean Mr. Solberg's motion?

The Chair: You amended it afterwards that we were going to look at economic forecasters, and we set up a panel to look at that yesterday, I think it was. Because of some of the problems we had, we cancelled that meeting.

Hon. John McKay: I don't have the benefit of having Mr. Loubier's motion so that I can see what the difference is between the two. Could the clerk advise us?

The Chair: I may have it somewhere.

[*Translation*]

The thing is, Mr. Loubier, that your motion was amended by Mr. Penson's motion. Go ahead.

Mr. Yvan Loubier: If memory serves me well, I proposed that four experts be hired, one by each political party. That's precisely the proposal contained in the preamble to the motion put forward this afternoon. Our motion didn't say anything about the specific mandate of these four experts. I see here that Mr. Solberg's motion does spell this out, on behalf of his party. That's fine with me. He's finishing the task we started and didn't have time to complete because of the pre-budgetary consultations. However, we would have done exactly the same thing.

The Chair: Following Mr. Loubier's motion,

[*English*]

there was Mr. Penson's subamendment. It said, basically, that in relation to the order of reference arising from the throne speech—I guess I'm speaking to Mr. McKay here—the committee begin a study and make recommendations relating to the provisions of independent fiscal forecasting advice for parliamentarians, including the consideration of the recommendations of the external expert, and until the committee reports the finance committee mandates four specialists.... So “until the committee reports” meant that we were going to go ahead with the independent fiscal forecasting advice, and that's why we set up the panel.

● (1540)

Hon. John McKay: As a point of clarification here, is Mr. Solberg's motion following on the reference, or is it a free-standing motion?

The Chair: Mr. Solberg.

Mr. Monte Solberg: This motion supplants the previous motion, so that it has to tie in to the reference from Parliament.

Hon. John McKay: It supplants it.

The Chair: From the throne speech.

Hon. John McKay: From the reference.

Mr. Monte Solberg: The committee can do whatever it wants. It obviously does. It's consistent with the throne speech recommendation.

Hon. John McKay: It's a point of opinion that it's consistent with the throne speech recommendation. We need to know from the clerk as to whether in fact it follows from the reference.

Mr. Monte Solberg: Let's be serious here. I'm telling you that's what it does.

Hon. John McKay: I agree with you, Monte. And we are being serious. The issue is not only should we be in accordance with the reference from Parliament. Mr. Loubier's motion, with your motion, means we will be hiring people at considerable expense, and that will be a significant amount of money, from what I understand. I've heard something in the order of about \$15,000 each; I don't know whether that's true or not. That's a pretty significant sum of money.

It seems to me your argument is stronger if in fact the motion ties to the reference from Parliament.

The Chair: The reference from the Speech from the Throne, the revised Conservative amendment—I have it right here—says:

An order of reference to the Standing Committee on Finance instructing the committee to make recommendations relating to the provisions of independent fiscal forecasting advice for Parliamentarians including the consideration of the recommendations of the external expert.

Mr. Monte Solberg: I would entertain a friendly amendment, then. John, if you want to take the first part of that motion and attach it to my motion, the part that makes reference to the throne speech, I would welcome that amendment.

Hon. John McKay: I'm not all that friendly.

The Chair: Mr. Loubier.

[*Translation*]

Mr. Yvan Loubier: Mr. Chairman, we're discussing a problem, when there really isn't one. You reread my motion, as amended by Mr. Penson, and the amendments complement the text, because it states that we must contract with these to conduct updates of the estimates. The motion spells out how we need to go about hiring these four experts and what their mandate will be. In fact, the two motions complement each other. One is consistent with the order of reference, and the other sets out the terms and conditions for hiring the experts and specifies their mandate. It's all very logical.

The Chair: Mr. Penson's motion asks that consideration be given to the recommendation to hire outside experts. Is that right? I'm trying to read the text in English and to understand it in the other language. If I start speaking Italian, things will really get complicated.

We wanted to commission a study and make recommendations based on independent fiscal forecasting advice. The process had already been initiated.

[English]

That's what I had understood.

[Translation]

Mr. Yvan Loubier: I understand, but we were supposed to hire four experts between now and the conclusion of this study. This motion spells out the terms and conditions for retaining these four experts as well as their mandate over the next few months.

The Chair: From what I understood from Mr. Penson's motion...

[English]

I want to clear this up, or else we are going to go around in a circle.

[Translation]

We were intending to do a study before hiring these experts, since we thought we could complete it fairly quickly.

Go ahead, Mr. Penson.

[English]

Mr. Charlie Penson (Peace River, CPC): Mr. Chair, I don't see any contradiction here. We're dealing with two issues. One is that there was a reference made to us in the throne speech that we incorporated with Mr. Loubier and the Bloc and ourselves that we would do a study on the budgetary process.

We've started that now by having the external expert Tim O'Neill come to committee. He's already been here once. He's said that he will probably be giving us a copy of the report when he gives it to the Minister of Finance, although that hasn't been confirmed. We are in the process of doing that study.

In addition to that, Mr. Solberg wants to advance on that very concept and have us incorporate something else, the four budgetary experts that were mentioned in Mr. Loubier's report. They would be designated to do some specific work for us in advance of the budget. They would look at the third-quarter national accounts, as stipulated in Mr. Solberg's motion. They would report to us their best projections, after they had a chance to run the information through their models. Those national accounts are out now—I believe yesterday was the day they came out—so they can start work anytime, as soon as this committee is up and running. We would like to have it in advance of the budget in order that we can see the most current, up-to-date information, which I think we all want, ahead of next year's budget.

This just gives the process to the motions that we basically have already started, Mr. Loubier and I. At the same time, we'll be continuing to call other witnesses in on the other study that we're

doing. I see this as complementary, and I don't understand why this is taking so long to put through.

● (1545)

The Chair: It's just clarification, that's all.

Mr. Charlie Penson: It's enabling—a motion in order to start the process for these people who review the national accounts figures.

The Chair: Go ahead. We're trying to answer your question, Mr. McKay.

Hon. John McKay: The issue is not that it's complementary; the issue is that it's quite expansionary.

What we've gone from is four economists—who I might otherwise sarcastically refer to as the bickering economists—and we're now asking them to conduct quarterly updates, which seems to me to be a fair bit beyond the terms of the original reference. The department is being asked to assist them, which is kind of curious in and of itself, since the department will be the body that is criticized by these four people.

Mr. Charlie Penson: Is it being criticized?

Hon. John McKay: It seems to me that the underlying thesis to this whole exercise is that the department's figures are not reliable, in the opinion of some people, based upon a release of—

An hon. member: It's actually the forecasters—

The Chair: Just let him finish, or else I'm going to start...

Hon. John McKay: —based upon the release of quarterly national accounts.

What you're effectively doing is taking a rather thin reference, getting four people in, and then expanding their mandate quite extensively. I call that bracket creep—or job creep. I think that's what this motion does.

Of course, I fundamentally disagree with the foundation of the whole exercise, since I don't think the department's figures are all that bad. I think it's premature, because Dr. O'Neill is going to be reporting, and it's far beyond anything any other country does. Even the United States only has half-yearly reports, once at budget and once in the mid-year cycle.

The Chair: Okay, I'm going to go to Mr. Hubbard.

Mr. Charles Hubbard: Thanks, Mr. Chair.

I guess Mr. McKay has clarified some of this, but we're going to hire four people to do research and to report to us in terms of the analysis. Is that correct?

Hon. John McKay: We've already done that.

Mr. Charles Hubbard: We've done that, yes, but it's on the table that we're hiring four people. Is that right or wrong?

The Chair: No.

Mr. Charles Hubbard: Well, our motion said that.

Mr. Monte Solberg: They have a contract—

Mr. Charles Hubbard: A contract.

Mr. Monte Solberg: —and they would do the modelling.

Mr. Charles Hubbard: Yes, so we have four people doing that work, Mr. Chair, according to the way I read the motion.

The Chair: No. There are four specialists in the budgetary estimates, one nominated by each political party, to conduct quarterly updates of the estimate of the fiscal balance. It doesn't say anything about research.

Mr. Charles Hubbard: Then this motion, unless I'm reading it incorrectly, would say that we're going to set up a subcommittee of our committee, which will consist of you as chair, plus one member of each party. Is that correct?

The Chair: No, there is no subcommittee here. All we're doing is—

Mr. Charles Hubbard: Mr. Chair, as I read it, unless they gave me the wrong thing, it's "That the Standing Committee on Finance establish a special subcommittee with the mandate..."

The Chair: No, that's the wrong motion.

Mr. Charles Hubbard: Well, that's the one that I got. It came to me from the clerk, dated December 1.

Mr. Monte Solberg: But there's another one there.

• (1550)

Hon. Maria Minna (Beaches—East York, Lib.): I don't even have yours.

Mr. Charlie Penson: She doesn't have a copy of Mr. Solberg's motion.

The Chair: I have another one.

Mr. Charles Hubbard: What is the problem, Mr. Chair, that we don't get the right information? This came to me, dated December 1, and it's floating around.

Hon. Maria Minna: I have this one, the other one.

The Chair: That's Mr. Loubier's motion.

There are two motions: there's Mr. Hubbard's motion, which we're probably going to debate tomorrow; and we'll look at Mr. Loubier's—

Mr. Charles Hubbard: I have no problem with that, Mr. Chair, but I just don't know which one. So Mr. Solberg's motion is this one.

The Chair: Yes.

Mr. Richard Harris (Cariboo—Prince George, CPC): It's a great motion.

The Chair: It's on the orders of the day.

Ms. Minna.

Hon. Maria Minna: I'm trying to understand what the purpose of this motion is. My understanding is that when we passed the previous motion, a few meetings back, which said that each party was to nominate a researcher...

I don't have that motion here. We really should have it here, because if I recall, the motion said something to the effect that they would work on contract until such time as the full committee did its report on the overall review for the government.

This talks about quarterly updates, not until such time as the committee reports. It's expanding. It's changing it altogether. I'd like to see the other motion.

Mr. Charlie Penson: The chair has just read it.

Hon. Maria Minna: It's not fair to just read it. I'm sorry. I left mine behind. This one is quite different from the previous one that we passed. It's asking for something more than the other one, and I'd like to understand.

I'm not quibbling. I'd just like to understand why we're expanding the role now to a quarterly report, and for how long—one year, two years, five years.

Mr. Monte Solberg: I'd like to try to answer that, if I could.

The Chair: We have somebody else who wants to go first.

Monsieur Côté.

[Translation]

Mr. Guy Côté (Portneuf—Jacques-Cartier, BQ): Mr. Chairman, it seems quite simple to me. We have already adopted a motion calling for the committee to retain the services of four economists as recommended by each of the parties represented here. All this motion does it spell out their mandate in greater detail. I'd like you to call the vote on the motion.

[English]

The Chair: Okay.

Mr. Richard Harris: That's correct.

Hon. John McKay: Just to clarify so that people know what—

The Chair: We have time, so I just want to make sure this is clear, *si on peut*.

Hon. John McKay: What this motion means is that effectively the department will be asked to do four budget updates, I suppose, really. So there will be four specialists—

Mr. Charlie Penson: They do it anyway.

Hon. John McKay: No, they don't. They do the budget and they do the fiscal update.

If you want a photocopy of *The Fiscal Monitor*, you're welcome to it, but that's not what you want here, is it?

What you've been asked to do is engage the department in four fiscal updates over the budget cycle. It's four times four, times \$15,000. That's what it boils down to. The department pays \$15,000 per person to do this. You have four of them, so there is \$60,000 for each quarter, and \$60,000 times four is \$240,000.

That's what you are actually engaging them in. In what? You're getting more information or you're seeking more information than is actually available in other countries.

The Chair: I'll give you an opportunity now, Mr. Solberg.

Mr. Monte Solberg: Thank you.

Just to that point, if you go ahead and do this, you're already employing 135 economists in the department, and this information will be useful to them. This is information that they won't have to replicate. If they're doing it already...

I would argue that if they're not, they should be, but I suspect they're already doing this, or else how do they have a sense at the end of the year whether or not they're going to meet their revenue targets so that they can go ahead and spend money? So this information will be valuable to them, and they are probably already doing it. So it's not going to be a net cost of \$240,000.

The Chair: Is there a budget for this or a forecast of how much it's going to cost?

Hon. John McKay: It comes out of Parliament.

Mr. Monte Solberg: No, we're not presenting a budget right now.

But the other point is that this is completely complementary to the spirit of the throne speech amendment. The throne speech reference was passed precisely because people are concerned about whether or not we're getting the true facts when it comes to surplus numbers. We're going into a budget, and as I pointed out in the Ernst & Young summary from 1994, if people don't have confidence in the numbers....

It says here in the 1994 report that the finance minister, Paul Martin, commissioned, "the budget projections can translate into greater financial market certainty, reduced financial market volatility, and lower interest rates for financing government debt". So if it costs a few dollars to do this, it potentially can save millions. I think this is a good investment, but secondly, it's completely within the spirit of what we were trying to achieve when we passed the throne speech.

• (1555)

The Chair: Mr. Loubier.

[*Translation*]

Mr. Yvan Loubier: Mr. Chairman, these arguments are somewhat twisted. When budget planning is under way, inputs and outputs must necessarily be tracked on a weekly basis. Clearly, Mr. McKay has never been involved in any kind of budget planning. Operations must be tracked. I handled operations of this nature for the City of Montreal for two years. They demand considerable attention to detail.

The motion calls for the Department of Finance to provide microeconomic data to four experts so that they can do some forecasting using accurate figures. The department currently has these figures at its disposal, but uses them any old way to come up with ludicrous forecasts. That is the gist of this motion. Like my colleague Guy Côté, I too would like you to call the vote. We're merely spinning our wheels here.

[*English*]

The Chair: I'll now call the question on Monte Solberg's motion.

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

[*Translation*]

Mr. Yvan Loubier: Mr. Chairman, I tabled a motion yesterday motion concerning the establishment of a subcommittee to examine

the fiscal imbalance. I spoke about this earlier to the Clerk and he suggested that I ask committee members for permission to dispense with this motion today. It is quite straightforward in that it follows upon on the motion that I tabled in the House of Commons almost two weeks ago. You have versions in both official languages. Mr. Hubbard referred to it earlier, when he got the two motions mixed up.

The Chair: Could you please repeat the motion?

Mr. Yvan Loubier: Yesterday morning, I presented to the Clerk a motion calling for the creation of a subcommittee to examine the fiscal imbalance. I had previously tabled on behalf of my party a motion which was passed unanimously by the House of Commons. That motion called for a special subcommittee of the Standing Committee on Finance to be struck and to table no later than June 2, 2005 a report to the House of Commons spelling out the measures to be taken to correct the fiscal imbalance. I can read the motion to you if you like, but you have copies of it in both French and English.

[*English*]

The Chair: It's not in conformity with the 48 hours' notice, so I need unanimous consent.

Mr. Charles Hubbard: Mr. Chair, if we are to open, I also have a motion, which did meet the 48-hour timeframe. I would hope that you would look at both.

Mr. Monte Solberg: I don't have a problem with that, Charles.

The Chair: In order of preference, then, we'll have to address Mr. Hubbard's motion first.

[*Translation*]

Mr. Yvan Loubier: We can wait until tomorrow to deal with Mr. Hubbard's motion. That's fine with me, because I'd like to check out some of the figures pertaining to that motion.

[*English*]

The Chair: I'm in the hands of the members. I need unanimous consent. So we either wait until tomorrow—

Hon. Maria Minna: Tomorrow is fine, Mr. Chair.

Mr. Yvan Loubier: Okay, tomorrow.

Mr. Monte Solberg: Wait until tomorrow.

An hon. member: Is that okay, Charles?

Mr. Charles Hubbard: Yes.

The Chair: Okay, we'll wait until tomorrow. The notice was going to go out.

Thank you.

The meeting is adjourned.

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