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# **Standing Committee on Government Operations and Estimates**

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**EVIDENCE**

**Tuesday, February 10, 2009**

—  
**Chair**

**Mr. Derek Lee**

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## Standing Committee on Government Operations and Estimates

Tuesday, February 10, 2009

•(1110)

[English]

**The Chair (Mr. Derek Lee (Scarborough—Rouge River, Lib.)):** I see a quorum, colleagues. We'll call the meeting to order.

Today we're going to be looking at the supplementary estimates; however, the focus is going to be on stimulus spending, as previously agreed. So for that purpose we have invited as witnesses, and we're very grateful for their attendance in relatively large numbers, individuals from Statistics Canada, who are going to help us with some of the economic theory here. Then we have individuals from the Privy Council Office and the Department of Finance.

I would ask the members to try to keep the questioning focused on the issues of stimulus spending. On the Statistics Canada side it was hoped we would be able to have a look at inputs-outputs from that proposed government stimulus spending. It's up to the members to decide what outputs are desirable, but certainly jobs, employment, would be one.

Then we'll look to both the Privy Council and the Department of Finance to tell us how they propose to get this money out the front door, whether it is business as usual or whether there is some tasking going on to ensure that the apparently urgently needed stimulus spending gets out as soon as it can.

I'm going to invite Statistics Canada to present first, and I will introduce Karen Wilson, the assistant chief statistician, national accounts and analytical studies, and Michel Girard, director, industry accounts division.

Ms. Wilson.

**Mrs. Karen Wilson (Assistant Chief Statistician, National Accounts and Analytical Studies Field, Statistics Canada):** Thank you, Mr. Chair, and thank you for inviting us here today.

I would like to take a few minutes to give a brief statement about Statistics Canada's role as the national statistics agency and about a few products and databases that may be of interest to this committee.

Our mandate at Statistics Canada is to collect data about Canadian society and the economy and make information products available so that Canadians can make informed decisions and policy-makers can make informed choices. An important feature of the Canadian statistical system is that it is internationally recognized to be of high quality in terms of accuracy, and it is accessible to all users, including transparent access to the sources of data used and to the methods used to compile the information.

We constantly reflect and ask ourselves if we are doing our job well and whether the data system is adequate to answer the questions of the day. And then we react to our questioning.

In response to recent economic events we have been deliberating on a number of issues, both here in Canada and in international meetings with other national statistics agencies. First, is the data system providing enough information on the financial crisis for policy-makers to react, and is our data timely enough to give signals early enough for policy to react?

We have begun to put more emphasis on information products related to financial markets, including credit market data and the balance sheets of households, businesses, and governments of the nation.

We continue to produce the high-profile indicators such as gross domestic product, employment, and inflation, and have also begun to look at how we can adjust our data services towards more timely information on various industrial sectors.

I would like to bring your attention to three other products and services that may be of interest to the committee.

First, we publish a detailed database on the infrastructure of the nation. By infrastructure I mean roads, highways, bridges, and water and sewer systems, as well as power generation and transmission. This database includes the value of the stock of these types of assets by province and territory, as well as the average age of these assets, the value of annual depreciation, and repair and investment expenditures on these assets. This database was developed in cooperation with Infrastructure Canada.

Another product that is available on an annual basis for use by analysts is our input-output tables, and these are also available by province and territory.

The I-O tables present a comprehensive portrait of the production of goods and services by Canadian industries. For example, when a car is produced there are thousands of different parts, but energy and other services and labour are used in the process. The I-O tables can take apart the production of that car into its detailed inputs.

The tables are used to build I-O models that can be used to simulate, for a given amount of production of an industry, how much employment is potentially created and what other goods and services will be required for that production. This kind of simulation could be done for spending on roads and highways, or more generally for adding to production of any given industry.

Finally, Statistics Canada produces analytical studies using our data products on issues of significant importance to the country where we have a comparative advantage to fill information gaps. For example, a recent study on the effect of infrastructure on productivity of Canadian businesses concluded that about one-quarter to one-half of business sector productivity growth over the last 40 years was attributable to infrastructure capital.

I have a list of the recent studies related to infrastructure available and can leave it with the clerk, if you're interested.

I hope this information is helpful, and we would be pleased to answer questions.

**The Chair:** Thank you very much. It sounds as though you have absolutely framed what we are looking for.

We'll go to questions later. At this point I'm going to invite the two other institutional groups of witnesses to present, if they wish, at this time. From the Privy Council Office we have Simon Kennedy, deputy secretary to the cabinet for plans and consultation; Tim Sargent, assistant secretary to the cabinet, liaison secretariat for macroeconomic policy; and Marilyn MacPherson.

Ms. MacPherson, are you providing the opening statement?

• (1115)

**Mrs. Marilyn MacPherson (Assistant Deputy Minister, Corporate Services Branch, Privy Council Office):** Yes, I am.

**The Chair:** Okay. Please go ahead.

**Mrs. Marilyn MacPherson:** Thank you.

I have a very short statement that is specifically geared to the supplementary estimates, and then I have colleagues here who will address the budget issues.

**The Chair:** Thank you.

[Translation]

**Mrs. Marilyn MacPherson:** Good morning, Mr. Chair.

We are pleased to meet with the members of the Standing Committee on Government Operations and Estimates. I am accompanied by Simon Kennedy, Deputy Secretary to the Cabinet (Plans and Consultations) and by Tim Sargent, Assistant Secretary to the Cabinet, Liaison Secretariat for Macroeconomic Policy. We also have other officials here to assist us, whom I will introduce if necessary.

[English]

I am pleased to appear before the committee today to talk about the 2008-09 supplementary estimates B for the Privy Council Office.

PCO's last appearance before the committee was in April 2008, regarding our 2008-09 main estimates.

[Translation]

As you and the committee members know, the Privy Council Office reports directly to the Prime Minister and is led by the Clerk of the Privy Council and Secretary to the Cabinet. In his capacity as head of the Public Service, the Clerk is the official link between the Prime Minister and the Public Service.

[English]

The purpose of today's appearance is to discuss the 2008-09 supplementary estimates for PCO as well as the budget issues.

PCO is requesting an amount of \$10.08 million in three areas: for the Afghanistan task force; for the internal inquiry into the actions of Canadian officials in relation to Abdullah Almalki, Ahmad Abou-Elmaati, and Muayyed Nureddin; and for the commission of inquiry into the investigation of the bombing of Air India flight 182.

The first request is for \$4.742 million to fund the establishment and the operations of the Afghanistan task force.

On February 8, 2008, the Prime Minister announced the creation of the cabinet committee on Afghanistan and an Afghanistan task force within PCO to better coordinate and ensure the effectiveness and success of Canada's activities in Afghanistan. The task force has the objective of providing advice and support to the Prime Minister and the cabinet committee on Afghanistan in the delivery of a strategic plan to transform Canada's role in Afghanistan. Key results to date include the establishment of six priorities for Canada in Afghanistan; re-profiled programming; establishment of benchmarks; enhanced communications and engagement with Parliament, including a tabled quarterly report; and increased civilian staffing.

The second request is for \$2.944 million to fund the ongoing activities of the internal inquiry into the actions of Canadian officials in relation to Abdullah Almalki, Ahmad Abou-Elmaati, and Muayyed Nureddin.

The internal inquiry was established on December 11, 2006, under part I of the Inquiries Act on the recommendation of the Minister of Public Safety and Emergency Preparedness. The Honourable Frank Iacobucci was appointed commissioner. The terms of reference direct him to determine whether the detention of the three individuals in Syria or Egypt resulted, directly or indirectly, from action of Canadian officials, and if so, whether those actions were deficient in the circumstances, whether any mistreatment resulted from the actions of the Canadian officials, and whether there were deficiencies in the provision of consular services.

Additional funding is requested in these supplementary estimates B because of additional time required by the commissioner and his staff to complete a number of required tasks, which include receiving submissions from the Attorney General regarding proposed factual findings; preparing and sharing with inquiry participants an unclassified summary of relevant facts and receiving submissions on this summary from participants; receiving and considering submissions on the appropriate standards for the conduct of Canadian officials, based principally on a public hearing held on January 8 and 9, 2008; agreeing with the Attorney General on a report for public disclosure that would not cause injury to national security or international relations; and additional hearings on final submissions.

The third request is for \$2.395 million to fund the ongoing activities of the commission of inquiry into the investigation of the bombing of Air India flight 182.

The commission was established on May 1, 2006, under part I of the Inquiries Act. The terms of reference of this commission require the commissioner, the Honourable John C. Major, to conduct the inquiry as he considers appropriate with respect to accepting as conclusive or giving weight to the findings of other examinations of the circumstances surrounding the bombing of Air India flight 182. Additional funding is requested for 2008-09 in these supplementary estimates, since the work plan had to be adjusted as a result of extensions to the hearing schedule, which were due to the high volume of documents received by the commission and to unforeseen delays in getting the documents.

• (1120)

[Translation]

In closing, I would like to thank you for giving me this time to inform you of the ongoing initiatives in the 2008-2009 Supplementary Estimates (B).

[English]

**The Chair:** All right. Is there something else from Privy Council, then?

**Mrs. Marilyn MacPherson:** No.

**The Chair:** Then we'll go to the Department of Finance.

Is there an opening presentation?

Mr. Richardson, please go ahead.

**Mr. Stephen Richardson (Associate Deputy Minister, Department of Finance):** Thank you, Mr. Chair. I have a brief opening statement.

The plan will provide almost \$40 billion of economic stimulus in support for the Canadian economy over the next two years. Including incremental funds from other levels of government, the total economic stimulus provided will be over \$50 billion. This is equivalent to 1.9% of gross domestic product in 2009 and 1.4% in 2010.

Key federal government components of the plan include \$12.8 billion for action to help Canadians and stimulate spending, including a Canadian skills and transition strategy and personal income tax relief; \$7.8 billion for action to stimulate housing

construction, including a home renovation tax credit, support for energy retrofits, and investments in social housing; almost \$12 billion for immediate action to build infrastructure, including funding for roads, bridges, rail, small craft harbours, broadband Internet access, electronic health records, laboratories, and border crossings across the country; and \$7.5 billion for action to support businesses and communities, including \$1 billion for a community adjustment fund.

The plan also contains existing and new measures to provide up to \$200 billion in support of the extension of financing for Canadians and Canadian businesses through the extraordinary financing framework. It takes measures to strengthen Canada's financial system, including moving forward with willing provinces on a Canadian securities regulator.

[Translation]

The plan is based on three major principles: the stimulus must be timely, targeted, and, where appropriate, temporary. With that in mind, the government is moving forward to quickly implement measures from the plan.

[English]

Last Friday the government tabled Bill C-10, which contained legislation to give effect to various measures proposed in budget 2009, including important income tax measures such as an increase to the basic personal amount, the upper limits for the two lowest tax brackets, and an increase to the age credit; important changes to employment insurance, such as the five-week increase for regular EI benefit entitlements for two years; and further safeguards for the stability of Canada's financial system, such as additional flexibility for the Canada Deposit Insurance Corporation.

Bill C-10 also would provide authority to make payments out of the consolidated revenue fund totalling nearly \$6 billion for infrastructure, housing, and community adjustment. Together with the value of the tax and employment insurance changes, Bill C-10 provides legislative authority for approximately \$11 billion of stimulus, or about half of the stimulus to be provided in 2009.

• (1125)

[Translation]

As well as moving forward without delay with the Economic Action Plan, the government recognizes the need to report on the progress made in the implementation of the Economic Action Plan. The first report will be tabled in Parliament at the beginning of March and further updates will be provided in June and December.

[English]

We welcome any questions you may have.

**The Chair:** Thank you to all the witnesses. The statements were right on the money.

We can go to questioning now. First to Mr. McTeague, for eight minutes.

**Hon. Dan McTeague (Pickering—Scarborough East, Lib.):** Chair, thank you.

Thank you, witnesses, for being here today.

I will go very quickly to you, Ms. Wilson. Your comments here are very apropos, as the chairman has pointed out quite correctly. I guess for all of us here speed is of the essence.

In your experience, what sectors of the economy or business can receive stimulus and translate into jobs? What sectors of the economy have demonstrated the ability to do this rapidly, as opposed to several months down the road? This has been the fear of many, that despite stimulus it may take several months to finally impact where it needs to impact, especially at this very critical juncture.

**Mrs. Karen Wilson:** That question is very difficult to answer from a statistical point of view. We're in the business of providing historical facts on what has transpired in the past. We do not do any forecasts, and unfortunately, the input-output models are not temporal models that can tell you anything about the timing of the stimulus. So I would have to defer that question to other experts who do that kind of analysis.

**Hon. Dan McTeague:** In your historical experience, you have talked here a little bit about infrastructure. Your model with respect to the input-output tables.... I'm wondering if you could give us from a historical point of view what industries, what sectors of the economy, tend to be able to respond more adeptly to stimulus of this magnitude.

**Mrs. Karen Wilson:** What input-output models can give you is a base estimate of the relative magnitudes of stimulus, and that changes over time, so we would have to go back and do a type of simulation based on queries about specific industries to answer that question.

**Hon. Dan McTeague:** All right. Your comment here.... Let me take one, then: infrastructure, about productivity. You refer to a recent study on the effect of infrastructure on productivity of Canadian business, which concluded that about one-quarter to one-half of business sector productivity growth over the last four years was attributable to infrastructure capital.

Am I to take it then that you have the ability to look at a model from previous occasions, determine its effect on productivity, but you cannot make a nexus, a connection between investments by governments towards job creation? That doesn't exist? How do economists then forecast what impacts there will be, if Statistics Canada can't give that information?

**Mrs. Karen Wilson:** We can give relative impact statements, but economists generally take our database and they build econometric models that build behavioural aspects of the economy into their models and then do that type of analysis.

**Hon. Dan McTeague:** Then what impact statements do you have relative to infrastructure that you can provide to this committee?

**Mrs. Karen Wilson:** I don't have one right now in front of me, but we could respond to those questions.

**Hon. Dan McTeague:** Yes, would you provide them, please, through the chair?

**The Chair:** It's a huge field. The witness is probably going to need some focus. For example, a very well-defined economic sector might be an area where they would have input-output data just for that particular sector or region.

**Hon. Dan McTeague:** Region? Automotive and infrastructure, I think, for now, and I would invite other colleagues to suggest areas they believe would also be helpful without overburdening StatsCan. But I think you probably get the flavour of where we're trying to drive here, and I'm hoping this can be of some help.

Perhaps I could shift to the automotive sector just for a split second. You have some fairly important information that you have provided to us on that sector. I'm wondering, in that sector, in the breakdown of information about the automotive sector, if you have the ability to determine where components might be. Say, for instance, the concern I think some of us might have is that the federal government invests money in the auto sector, and at the end of the day or at the end of the line, some of the supply chain means a lot of that money may wind up offshore. For instance, products come in from China, which has obviously the unintended effect of reducing the objective of getting Canadians back to work.

Do you have information that is that precise and works its way through the supply chain, for outsourcing purposes?

• (1130)

**Mrs. Karen Wilson:** We don't have the outsourcing specifically, but we do factor imports into the model.

**Hon. Dan McTeague:** How do you define imports? Just anything that does not originate within Canada?

**Mrs. Karen Wilson:** That's correct.

**Hon. Dan McTeague:** Okay, but you wouldn't define the country of origin.

**Mrs. Karen Wilson:** No. We have no capacity to do that in input-output modelling, no.

**Hon. Dan McTeague:** When you break down components in a vehicle, there may be components within components. I'm thinking of several hundred computers, diagnostics, on a vehicle. How do you actually break that down, import-export, if the casing is made overseas but the actual high value added inside the casing is made in Canada?

**Mrs. Karen Wilson:** I'll defer that question to Michel Girard, who is more of an expert on input-output modelling.

**Mr. Michel Girard (Director, Industry Accounts Division, Statistics Canada):** We don't have imports by industry, but in our model we assume that the imports go to the industry in the proportion of the inputs that they require to produce a certain amount of product. So there's an assumption made in the model about that.

**Hon. Dan McTeague:** There are some very good points that will be drawn, I hope, later on.

Have you actually done a model that provides us with any type of understanding of the relationship or correlation between the investment in infrastructure and its impact on GDP? And how long does that take to measure? Is it quarterly? Is it yearly?

**Mr. Michel Girard:** There are three types of impacts you can calculate from a model. There is a direct impact: if I increase the production of a certain good, and I need a certain amount of input to construct that product. That's the first impact. We can measure that impact in terms of GDP and in terms of employment.

Now, of course, because somebody increased its production, some other industry will also increase its production. So there are secondary effects or indirect effects, and we can measure those.

The third impact is that if people at the end of the day have more dollars to spend, they will spend on goods and services. The government will spend more. Those effects we don't measure. They're called the spinoff effects. We can do simulations for some of our customers, especially related to the personal expenditures, but we don't do them for all sectors of the economy—personal expenditures, the government, business capital formation, and exports.

**Mrs. Karen Wilson:** The model is annual only, not quarterly.

**Hon. Dan McTeague:** You mentioned a little earlier the overall analysis of the state of infrastructure in Canada, which you can make precise by region, etc. Speaking globally and perhaps generally, can you make a comment on the state of Canada's infrastructure? I think it's clear we believe something needs to be done. We all tend to believe that. Where does StatsCan sit on this? Where do you believe the state of Canada's infrastructure lies at this stage?

**Mrs. Karen Wilson:** Basically, we're the economic historians. We can tell you facts about the state of the infrastructure, but it's up to analysts like you to decide where it's appropriate to make decisions.

**Hon. Dan McTeague:** No, I mean what is the state of infrastructure in Canada according to those analyses you've done historically?

**Mrs. Karen Wilson:** That's a very detailed question, and I would leave you the paper to read on that.

**Hon. Dan McTeague:** For roads, bridges, sewers, would you have any idea?

**Mrs. Karen Wilson:** I don't have those facts in front of me right now.

**The Chair:** Essentially, we have to ask the right questions before StatsCan can give us the precise answers, but obviously there's a lot of information there.

We'll go to our second round then.

Madame Bourgeois, you have eight minutes.

[Translation]

**Ms. Diane Bourgeois (Terrebonne—Blainville, BQ):** Thank you, Mr. Chair.

Thank you for coming here this morning, ladies and gentlemen.

My first questions go to the Department of Finance representatives. The figures in the estimates that deal with infrastructure programs are difficult to understand. Here is the problem.

In the budget, the government set aside \$323 million over two years, in cash accounting terms, to repair and renovate infrastructure belonging to the federal government. Yet Table 3.7 indicates that the amount allocated to this item is \$120 million for the two years. Can you explain the difference to me? About \$200 million are missing.

• (1135)

**Mr. Paul Rochon (Assistant Deputy Minister, Economic and Fiscal Policy Branch, Department of Finance):** The difference lies in the fact that, in one case, figures are given on a cash accounting basis, that is the amounts that are actually spent during the year. Those amounts are higher.

Table 3.7 shows the amounts on an accrual accounting basis. That shows the amortized costs of the infrastructure investments.

**Ms. Diane Bourgeois:** Let us go back over that in a language we can understand. You are saying that cash accounting shows the actual expenses made in the course of one year or two years. So you mean that these are the real costs, infrastructure aside. I suppose that there is something else to it.

For me, accrual accounting is very fragmented. It might involve several departments.

I would really like to know the difference between the two kinds of accounting.

**Mr. Paul Rochon:** Essentially, cash accounting shows the real amounts spent in a year. Let us suppose that the government spends \$100 million to build a building and construction takes two years. Using cash accounting, the \$100 million would be shown as a cost in those two years. In accrual accounting, you have to show the amortized amount. For a building, amortization is normally somewhere between 25 and 40 years, so a twenty-fifth of the cost.

**Ms. Diane Bourgeois:** Right. I understand.

Do you not find that this can mislead people who are not familiar with the two kinds of accounting? How is it that Canadians are given the figures on a cash accounting basis in the main budget but you operate on an accrual accounting basis that people do not understand. Why are you not consistent?

[English]

**Mr. Stephen Richardson:** Madame, if I may respond to that question, the accrual accounting system is mandated by accounting standards for the Government of Canada and other governments in Canada. It's necessary that the accounts of Canada, and therefore the budget of Canada, be prepared indicating the accrual numbers. That's the starting point.

As you note, there is a difference in explaining from the accrual numbers how one gets to the actual expenditures of cash in a period. We have come to the conclusion that we should give both sets of numbers, particularly in these kinds of circumstances where it's important to explain to the population and to members of Parliament what cash is being expended, because that's where the effects of stimulus come into play.

[Translation]

**Ms. Diane Bourgeois:** You will agree that, when the government sets aside \$323 million over two years, it can seem like a lot for the person in the street, whereas really, the amount is \$120 million. I think that is not really being honest with ordinary people.

● (1140)

**Mr. Paul Rochon:** We have to understand what is really spent, those are the most important amounts in the two years. For example, the money the workers receive is based on cash accounting, not on accrual accounting.

**Ms. Diane Bourgeois:** My next question is about section 18.2 of the Income Tax Act. The section deals with tax havens, and it has disappeared from the budget documents.

Why has this section disappeared? Why has this control mechanism for tax havens been abolished?

[English]

**Mr. Stephen Richardson:** The provision you refer to, section 18 of the Income Tax Act, is a provision that restricts the deductibility of interest in certain cases for Canadian businesses borrowing to make investments outside of Canada. The provision was put into the law coming out of the 2007 budget, but has not yet had effect. It was, by its terms, set up only to come into effect in 2012.

The Minister of Finance established an expert panel to review the international tax system of Canada to make comparisons between that system and other systems and to obtain information from various parties and persons who were knowledgeable in the area of taxation. The recommendation of the panel was that this provision was onerous for Canadian businesses making investments, and that it was more onerous than similar provisions in many countries where Canadian businesses have to compete. A decision was taken to remove the provision.

**The Chair:** Thank you, Madame Bourgeois.

[Translation]

Mr. Gourde, you have eight minutes.

**Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC):** Thank you very much, Mr. Chair. I would like to thank the witnesses present.

My first question goes to Mrs. Wilson of Statistics Canada.

Statistics Canada uses input-output models in order to calculate the relative effects that injections of public funds in different sectors of the economy and in different regions of the country have on the Gross Domestic Product.

In general terms, what will be the short-term impact of infrastructure expenses on economic activity?

**Mr. Michel Girard:** If I understand correctly, you are asking us if we have already conducted impact studies. We have not because we have not yet been asked to.

I go back to what was said a little earlier. We have a model that can give us an idea of what the impact will be. So, in construction, we can say that investing in roads rather than telecommunications would create a few more jobs. That is due in part to the fact that the telecommunications sector requires us to import a large number of goods. So the indirect effects in Canada are less significant.

That is what the model would suggest. But I only used two industries as examples, whereas our model contains 303 industries for each province. So we have much more data than I provided.

**Mr. Jacques Gourde:** If I understand correctly, you are saying that, from an economic perspective, investments in infrastructure, rather than in other areas...

**Mr. Michel Girard:** No, that is not what I am saying. When a type of investment has been chosen, we can calculate its effects. We are not trying to say where investments should be made. We are merely describing the impact of any investment on such and such an industry or such and such a part of the economy.

**Mr. Jacques Gourde:** Understood.

According to Statistics Canada, should we trust data for last month or for the last quarter? Today, on February 8, can we trust data from January 31?

● (1145)

**Mr. Michel Girard:** Much less data is available on a quarterly basis. By industry, we have limited details on goods and services—and the investment counts as a good. What we can give you is based on historical data. So our model is based on inputs and outputs for 2005. We assume that the structure of the economy has not changed since. That is the model we use for our simulations.

If we are told how much money has been invested in a given sector, we can tell you what the impact would be in 2005 terms.

**Mr. Jacques Gourde:** Thank you, Mr. Girard.

My next question goes to the Privy Council Office.

The figures announced in the budget for infrastructure projects assume that provinces and territories will contribute to these various stimulus programs.

Were the provinces and territories consulted to see if they have the wherewithal to participate in these infrastructure projects?

[English]

**Mr. Simon Kennedy (Deputy Secretary to the Cabinet, Plans and Consultation, Privy Council Office):** Yes, there was an extensive pre-budget consultation process.

I might wish to turn to my colleagues at the Department of Finance, because the Minister of Finance led the pre-budget consultation, and there was a great deal of discussion with provinces, businesses, and others in the lead-up to the budget.



**Mr. Stephen Richardson:** Yes, there was a great deal of consultation prior to the preparation of the budget. It included consultations with provinces, and some of those consultations occurred at the finance ministers meeting, which was held ahead of the budget. Many of the provinces indicated they were interested in seeing further funds made available in this way and indicated then, or subsequently, they were prepared to provide the matching funding.

[Translation]

**Mr. Jacques Gourde:** Given that the provinces seem favourably disposed to this plan, have any agreements been signed with any of them? Are all agreements signed? Will they be signed soon so that the stimulus plan can be implemented as quickly as possible?

[English]

**Mr. Stephen Richardson:** There are a number of different aspects of the stimulus package, and although they have somewhat different delivery mechanisms, several of the large stimulus items in the budget will involve cooperation between the federal government and the provinces.

In fact, I can note in this regard that there are appropriations for some of these funds in Bill C-10. This is a method that is not always used, but Bill C-10 contains specific appropriations—for example, for the infrastructure stimulus fund, which will allow it to be put in place more rapidly. We expect that those at Infrastructure Canada who are responsible for this fund will be in discussions, or they already are in discussions, with representatives of provinces in order to identify projects.

[Translation]

**Mr. Jacques Gourde:** I have no doubt that there will be quick action at federal level. But are the provinces ready to become involved in Canada's Economic Action Plan as quickly as we would like? Is there a timeline, is it possible, for example, for the provinces to have shorter administrative procedures so that they can get the money sooner, meaning that they can get as many shovels in the ground as possible this spring?

[English]

**Mr. Stephen Richardson:** We can't directly speak for the provinces in terms of what their intentions or capacities are, but we are structuring the availability of these funds from the federal government to occur in as rapid and as efficient a manner as possible to make them available to those provinces who are prepared to participate and use it.

We have indications from some provinces, some in public... I believe one example would be the comments by Mr. Duncan, Ontario's Minister of Finance, that he's ready to match all of the funding involved.

So we will make sure that this funding is available at the earliest possible date, using whatever methods we can, to appropriately speed up the availability of funds such as appropriations through Bill C-10. The sooner that bill becomes law, the sooner those funds will be appropriated and available. Then we fully expect to have a strong take-up from the provinces.

• (1150)

**The Chair:** Merci, Monsieur Gourde.

Mr. Martin, for eight minutes.

**Mr. Pat Martin (Winnipeg Centre, NDP):** Thank you, Mr. Chair.

It seems to me, from our research, that some of the best economic stimulus will come from the energy retrofitting of homes. There's short-term and long-term stimulus. There's the initial spending on jobs to do the renovation, and then homeowners should have more money in their pockets, out of energy costs saved, to further spend elsewhere.

We see the reference in Bill C-10 to the renovation and retrofit of social housing at a sum of \$500 million, and northern housing at a sum of \$100 million, but I don't see in Bill C-10 a general program for the average homeowner. We have homeowners calling our offices already, asking us, "Can we start spending? Can we start buying windows and doors and renovations with the guarantee that this is going through?"

I ask the witnesses from the Department of Finance, do we need the enabling legislation to follow through with this promise that was in the budget and that in fact is up on your website? Is it in Bill C-10, or are we supposed to wait for some further legislation?

**Mr. Stephen Richardson:** You are correct, it's not in Bill C-10. But I would point out that it's common with tax changes to have them effective for a taxation year after a certain date. The home renovation tax credit, as stated in a notice of ways and means motion that has been tabled in the House, is to be effective for expenditures beginning the day after the budget, for a period of one year.

The credit that's earned by the taxpayers on those expenditures, which they can now make, and could have made commencing the day after the budget, will allow them, within the limits of the design of the tax credit, to reduce their taxes for the 2009 taxation year.

So I think the general answer to the question is yes, there is a requirement for legislation, obviously, to make this effective, but as is not uncommon with tax measures, it can be acted upon now, on the understanding that legislation will follow to put this into effect.

**Mr. Pat Martin:** That's a little bit of a leap of faith in a minority government. Let's face it, if the government falls prior to that enabling legislation getting royal assent, that particular measure falls with the government. Is that not true?

**Mr. Stephen Richardson:** That is correct, just as the measures in Bill C-10 would not have effect if the government fell before that bill is passed.

**Mr. Pat Martin:** That's right, but in all likelihood Bill C-10 is going to pass within the lifespan of this government and this Parliament.

We don't know. This worries me. We're being sold a pig in a poke here. Canadian homeowners are being asked to take this great leap of faith that they can go out and spend the money, do their duty and stimulate the economy, and reduce greenhouse gas emissions and all those good things.

What reasoning was there for leaving it out of Bill C-10? Wouldn't it have been simple to add a third paragraph under renovation of social housing and renovation of northern housing, and then have the home renovation tax credit all in Bill C-10?

**Mr. Stephen Richardson:** The provisions you're referring to are appropriated spending items. The tax credit is a fairly complex legislative change to the Income Tax Act. It was not available on the quick timing involved with this bill.

I would add, in terms of the general situation, that even if for some reason there were not a legislative follow-up in the current Parliament for the home renovation tax credit, it would still be open to a subsequent Parliament, a subsequent government, to ratify the effect of the provision by passing the legislation.

• (1155)

**Mr. Pat Martin:** Yes, in a subsequent Parliament.

**Mr. Stephen Richardson:** We do have precedents for that. It has happened a number of times with income tax changes that have been announced by the government.

**Mr. Pat Martin:** In all honesty, when my constituents phone my office I can only say there is no such thing as a home renovation tax credit at this point in time. I can't recommend to them that they act on this leap of faith that they will get something because it was alluded to in the budget speech.

**Mr. Stephen Richardson:** I would point out that it is mentioned in the notice of ways and means motion that has been tabled in Parliament.

**Mr. Pat Martin:** This is of great concern to us.

Moving on to something else, we noticed the economic stimulus was assumed to be a 1.9% impact on the GDP, which would be roughly in keeping with what the international community is recommending. Does that calculation include the matched spending that is built into the requirements? In other words, is the 1.9% from the federal government, or is that the total accumulated spending?

**Mr. Paul Rochon:** Of the 1.9%, 1.5% is federal only and the remainder is a provincial top-up. So 1.5% is federal only, in the first year, and the remainder is an assumed matching from provinces.

I point out in that regard that Canada is fairly unique among major industrialized countries in that it's the only country where, effectively, the government sector at the federal level only accounts for half of the total government sector. Other countries tend to be either unitary in nature or have much smaller sub-national governments.

**Mr. Pat Martin:** Was there consultation with the provinces and territories to determine if in fact they're able to avail themselves of this offer? It's all kind of moot if the provinces can't come up with their share; the money won't flow.

**Mr. Stephen Richardson:** As I mentioned earlier, there was quite a bit of discussion with representatives of provinces and territories. There was considerable positive reaction from them with respect to the possibility of them matching these funds.

**Mr. Pat Martin:** I have a question regarding this relatively new obligation on the part of the government to present regular reports to Parliament as a condition of the Liberal Party support for the budget.

Will Finance Canada be preparing these reports? How is Finance Canada going to measure the implementation and the costs of this stimulus package? What is the yardstick you're going to use to live up to the commitment made by the government to the Liberal Party?

**Mr. Paul Rochon:** The Minister of Finance would be involved in a significant way, clearly, in those reports. The budget itself presents a preliminary estimate of the employment impacts based on a modelling approach.

We would expect, as the measures are implemented and put into effect, that we would in fact have what I might describe as hard estimates, in the sense of actual estimates of employment and output impacts by measure. That would involve input from all of the departments involved.

**The Chair:** Thank you.

That's over the eight. Thank you, Mr. Martin.

Now we'll go to Ms. Hall Findlay for five, followed by Monsieur Roy and Mr. Anders.

Ms. Hall Findlay.

**Ms. Martha Hall Findlay (Willowdale, Lib.):** Thank you very much.

Thank you, everybody, for being here and giving us your time.

I have five minutes and several questions, so I'm going to go fairly quickly.

Mr. Richardson, you mentioned that the home renovation piece is in the ways and means motion, but I've just been told that it is not in fact included, although the press release says "Our government intends to act quickly to table further legislation that will include additional tax relief measures, such as the Home Renovation Tax Credit...".

Can you confirm, in fact, that it is in the ways and means motion that's been tabled, or if it is to come further on?

• (1200)

**Mr. Stephen Richardson:** My understanding is that it is in the ways and means motion. It is not in Bill C-10, so—

**Ms. Martha Hall Findlay:** I know very well it's not in Bill C-10. I was asking about—

**Mr. Stephen Richardson:** —it would be in the subsequent legislation.

**Ms. Martha Hall Findlay:** —whether it was in the ways and means motion.

**Mr. Stephen Richardson:** Yes.

**Ms. Martha Hall Findlay:** Okay.

Can I ask a similar question about the working income tax benefit? It's certainly not in Bill C-10.

**Mr. Stephen Richardson:** No, it is not in Bill C-10, because the working income tax benefit increase involves consultations with provinces with respect to the design as it applies in each province.

The main element of the working income tax benefit is to try to supplement income where there's a loss of benefits, usually provincial benefits, as a result of a lower-income person beginning to work or working more. To make that effective, both the existing working income tax benefit and any supplement to it have to be worked out in some detail with each of the provinces. We're in the process of doing that.

**Ms. Martha Hall Findlay:** I note that a national securities regulator will need cooperation with the provinces as well, but at least the funding for it is in Bill C-10.

On another point, in reference to the consultations in terms of infrastructure spending, I have heard several people refer to consultations with provinces and to the good news that provinces sound as though they're ready to match.

But my understanding of the Building Canada Fund process, under which most of the infrastructure promises have been made in the budget, in Bill C-10, is that it also requires municipal matching. I'd like to know if, in those consultations, you did include consultations with the municipalities, and were the municipalities similarly positive about their ability to match funds?

**Mr. Stephen Richardson:** I think the consultations did involve some discussions with representatives of municipalities, and I think with respect to municipalities there was some positive indication as well in a number of cases, although there were also indications from municipalities that they felt they had some challenges in terms of raising financing and funding because of the general situation for municipalities.

In this regard, I would point out that the budget provides for up to \$2 billion of low-cost funding for municipalities through CMHC.

**Ms. Martha Hall Findlay:** Yes, I understand that, but from where this is coming from, and certainly in our prebudget consultations with municipalities, the message was overwhelming that they would not in fact be able to match.

Therefore, my question relates to a larger question. This 1.9% of GDP, which is dependent on the leverage, of course, because we are not a unitary state, does depend on provincial and municipal contributions. If the municipalities overwhelmingly have been saying they can't match, how does that affect the 1.9% projection?

**Mr. Stephen Richardson:** The number you refer to does involve matching, but that is a reference to the incremental stimulus in the specific provisions that increase infrastructure funding. Those could be matched totally by the province. They don't have to be matched by the municipality, so that can be fifty-fifty.

**Ms. Martha Hall Findlay:** But isn't the Building Canada Fund approach that this is under require matching of a quarter or a third in many cases, which would require the municipalities to contribute a significant amount?

**Mr. Stephen Richardson:** You're referring to the existing Building Canada program, as it existed before the 2009 budget, and as it continues.

The new measures in the 2009 budget were expressly designed to be matched up to 50%, as opposed to a third, a third, and a third. Therefore, as long as a provincial government is willing to match the federal portion, those funds can go ahead without municipal matching and can be spent on municipal infrastructure.

**Ms. Martha Hall Findlay:** I would point out that the Building Canada Fund as it is now, prior to this budget, also provides for a significant amount, up to 50%, but our understanding is that barely 5% of the announcements have in fact been spent, in large measure because of the municipalities' inability.

So am I correct in saying that, of the infrastructure funding announcements we have now, the municipalities will not be required to match if the provinces can do the 50% match in their stead?

**Mr. Paul Rochon:** With respect to new spending in the 2009 budget, that is correct.

**Ms. Martha Hall Findlay:** That's interesting news.

Do I have time for a quick question?

**The Chair:** No. You're way over. I'm sorry, but we'll get back to you.

Monsieur Roy for five minutes.

• (1205)

[Translation]

**Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ):** Thank you, Mr. Chair.

I have the same question because I was the mayor of a municipality for a long time. I do not think that a single provincial government is going to come up with 50% of the cost so that an infrastructure program can get underway. If the federal government is providing 50%, I do not see many provincial governments also coming up with 50% to get to 100%.

This question goes to the Statistics Canada representatives and I will come back to the Department of Finance shortly. I would like to know if you already have a study on the debt level of municipalities in Canada and on the municipalities' ability to take on a new infrastructure program that requires them to go even deeper into debt.

[English]

**Mrs. Karen Wilson:** We do have statistics on municipal debt. It's not provided at the individual municipal level, but by province.

[Translation]

**Mr. Jean-Yves Roy:** Can you give me an idea for all cities and municipalities in Canada? Do you have a figure in mind now?

**Mrs. Karen Wilson:** Not here, no. I have not even analyzed all the statistics.

**Mr. Jean-Yves Roy:** I can still continue with my question. In most cases when a municipality's debt level is too high, it is impossible to pass a loan by-law without the agreement of the Ministry of Municipal Affairs, without the province, and the municipality will not get that agreement to become involved in the infrastructure program, even for 15%, when its debt level is too high. Currently, there is a serious problem at municipal level, even in large cities. I could mention Toronto and Montreal, which probably have the highest level of debt of all municipalities and which will find it extremely difficult to find funds to invest in the infrastructure program. You are now telling us that no agreement is in place, no negotiations are underway, nothing that gives us any reason to feel that cities like Montreal and Toronto, or even small municipalities, could make any investment. Especially since we are in an extremely serious credit crisis that makes it very difficult for towns to borrow.

**Mr. Paul Rochon:** I can answer. As to the provinces' budgetary position, they have a lower level of debt than the federal government.

**Mr. Jean-Yves Roy:** I am not talking about the provinces, I am talking about municipalities and cities.

**Mr. Paul Rochon:** I do not have those figures at hand, but I think that if we looked at the municipalities' debt levels, it is not very high, because, you are right, they can only borrow for capital projects. If you take provinces and municipalities together, their debt level is lower than the federal government. They have about the same amount of revenue as the federal government. They have more or less the same tax base. There is no reason in principle for provinces not to be able to approve the funds required for infrastructure projects, just like the federal government.

**Mr. Jean-Yves Roy:** That more or less answers my question, since you do not have the figures with you.

I have another question about the federal government's program. In the past, we have seen it take for ever to spend the funds. Not only did it take for ever, it took just as long to negotiate with provincial governments. The federal government has its requirements, the provincial government has requirements of their own and so do municipalities. Are negotiations underway? Does the federal government have a coordinating committee, perhaps in the Privy Council Office, to make sure, once the measures are announced, that the process is going to be speeded up, that negotiations are going to take place and that we are not going to get hung up with dotting i's and crossing t's, as the Premier of Quebec said not so long ago? In Quebec, they were saying that money had been announced but not spent because people were hung up dotting i's and crossing t's. This is no time for those kinds of hang-ups. This is a real crisis. Will there be a more transparent coordinating committee that will let us know how things are going?

• (1210)

[English]

**Mr. Stephen Richardson:** A number of steps are being taken to try to ensure that this money, which has been provided for in the budget, and in particular for infrastructure, will be available on the most efficient basis. Of course one of the things the government has to do in providing this money is to ensure that there is appropriate responsibility and accountability for decisions and that in providing money more rapidly, appropriate controls are still respected. Having

said that, a number of these steps should lead to a number of things happening faster than they have in the past.

I'd note again that in order not to have to wait for appropriations through the regular supply process, a number of these funds will be appropriated through Bill C-10. Also, the Treasury Board Secretariat of Canada will be making arrangements to try to process funding decisions on an expedited basis. In addition, as we mentioned, Infrastructure Canada, which is responsible for much of the infrastructure funding, has already been in discussions with provinces. It has been actually identifying specific projects and analyzing these projects ahead of time. There will be an interdepartmental committee within the government that will review on a regular basis the progress of making this funding available.

I'd also note that some of the substantive policy decisions in the infrastructure initiatives will assist in making funding available and getting funding out more quickly. For example, to the extent that infrastructure funding is being provided for repairs and renovations, this can happen a lot faster than when very large new projects are being done. That is one of the reasons that approach was taken with a number of the infrastructure initiatives in the budget.

**The Chair:** Thank you, Mr. Roy.

Mr. Brown, for five minutes.

**Mr. Patrick Brown (Barrie, CPC):** Thank you, Mr. Chair.

I want to follow up on a few of the questions to our finance department officials. I am concerned that some of the questions might have obscured some of the successes of this economic stimulus. I notice that a lot of the people cheering from the sidelines and watching the budget were from our municipalities. To hear this complaint that municipalities are going to have to contribute a cost I think misrepresents what's occurred in Canada over the last twenty years.

My first question is about infrastructure programs. In the 1990s, when we had a slowdown, and more recently under the previous Liberal government, we had infrastructure programs. Was it not a staple arrangement for federal infrastructure investments that there'd be other governments involved—municipal and provincial?

**Mr. Paul Rochon:** You're correct, for the most part. Past and current infrastructure programs require some funding, but not entirely. For example, the gas tax transfer is not shared or matched, if you will, and that hasn't been changed at all.

• (1215)

**Mr. Patrick Brown:** But in terms of specific one-time infrastructure projects, it has been the practice that there are cost contributions from other levels of government.

**Mr. Paul Rochon:** Yes, for the most part. One of the important rationales behind that is that this is not federal infrastructure; it tends to be provincial or municipal.

**Mr. Patrick Brown:** I appreciate that clarification, because to suggest otherwise I think misrepresents the success of this endeavour to help Canadian cities. This is a tremendous infrastructure investment. This \$12 billion is the largest investment in infrastructure on a one-time basis in Canadian history. I think it's something municipalities are excited about, and they are certainly eager to take up the offer.

The challenge in past infrastructure programs has not been municipalities' unwillingness to partake in these; too many have been ready to. There are usually two to three times the number of applications as there are funds. So the question was how to handle this, and the answer was to invest more money in it, not to make a statement that municipalities weren't interested in cost-sharing. I think it is unfortunately a way to obscure the success of this stimulus. I think there's going to be tremendous interest among municipalities to be involved in this, and I'm excited about the projects that will be undertaken.

On the topic of this low-interest financing, that was dismissed as well, and I thought it was important to note that this, from what I understand, came out of a resolution proposed by municipal councillors at the most recent Federation of Canadian Municipalities conference. Could you comment on where that originated? Is my understanding correct that this was proposed by municipal councillors?

**Mr. Stephen Richardson:** Yes. I can't verify whether it came out of that particular source, but I can say that the provision of the \$2 billion line of financing through CMHC is a very important potential new source of low-cost funding for municipalities and that there's been a very positive reaction to that from the municipalities.

**Mr. Patrick Brown:** I looked at a project in my riding at the water pollution centre, and 20% of the cost was in the interest payments. I think the fact that it came out of Quebec City at the FCM conference is another example of how municipalities are getting the infrastructure partner they had hoped for.

There have been a lot of exciting items in this economic stimulus. Could you touch a little more on the support for energy retrofits in terms of...? Is that the continuation of the program, or is anything new being added under that envelope or that \$7.8 billion to stimulate housing construction?

**Mr. Paul Rochon:** Yes, the funding for the program is being increased. I don't have the numbers right in front of me, but as I recall, it is by about \$150 million a year over two years. It is probably worth pointing out that one can claim both the renovation tax credit and make use of this program at the same time, so they are complementary.

**Mr. Patrick Brown:** It's another terrific program.

Another comment I wanted to—

**The Chair:** Mr. Brown, you're a great cheerleader. We've hit five minutes, but if you want to make it ten seconds—

**Mr. Patrick Brown:** Yes, a quick one?

**The Chair:** Sure, if it's in line with your current line, yes.

**Mr. Patrick Brown:** It's a question. Electronic health records: the CEO at the Royal Victoria Hospital in Barrie mentioned to me she's never seen any of that trickle down. If it goes directly to the

province, is there any mechanism whereby we can track this electronic health records funding to actual hospitals?

**Mr. Paul Rochon:** That program is managed by Canada Health Infoway, which is a federal-provincial organization. My understanding is that effectively, Ontario, in particular, has not had as large a take-up as other provinces, but I understand they are in the process of doing so.

Infoway publishes regular reports, annual reports. They have a board and they are accountable.

● (1220)

**The Chair:** Thank you, Mr. Brown.

The next round goes to the Liberal Party, Ms. Hall Findlay.

**Ms. Martha Hall Findlay:** Thank you.

I appreciate my colleague's comments about how wonderful the infrastructure program is and the municipalities' enthusiasm for the loan program. Absolutely, that is our understanding as well. But the infrastructure money that has in fact been flowing over the last two and a half to three years has been the money that has been flowing through the gas tax fund and the GST rebate.

Of the \$8.8 billion Building Canada Fund that was announced, unless the representatives from the Department of Finance can tell me differently, our understanding is that the amount of money that has in fact been spent of the \$8.8 billion amounts to probably less than 5%. So far we've only had \$80 million confirmed as having been spent, not of the gas tax fund that has flowed, not of the GST rebate that has flowed, but of the Building Canada Fund. And that shockingly low percentage is extremely important here, because virtually all of the infrastructure promises being made in this budget and in Bill C-10 are being done on the basis of a shared and matching process. It is not a question of too many municipalities lining up; it is a question of there have not been enough situations where that money has been in fact able to flow.

So the question to the finance department, based on history, is twofold. One, do you have a different number from what I have in terms of the \$80 million that has been spent so far, a significant amount having in fact been allocated and then lapsed? If you have a different number from that, I'd really appreciate it. And two, could you answer based on the past experience of this process of matching admittedly up to 50%? That's been exactly the funding process that has failed so miserably in the last two and a half years.

If you can answer both of those, I'd really appreciate it. Thank you.

**Mr. Stephen Richardson:** I think there are a couple of things that are different. Going forward, I can't specifically verify the number, though. I must say it sounds a little on the low side to me, but we would have to refer that to Infrastructure Canada to see what the number is.

I would note about the new infrastructure funding being provided in budget 2009 that, as we mentioned, first of all up to 50% can be matched by the province in lieu of the municipalities, so we would have a 50% component from the federal government.

And secondly, I would make the point again that a lot of the major infrastructure in the past has focused on large and new projects. And as they change from that, a great deal of the funding for infrastructure being provided in budget 2009 is targeted at renovations and retrofits, so that these are things that in the normal course of events should be much easier to do on a shorter timeframe and to move the money therefore much faster than has been the situation in the past with large projects.

**Ms. Martha Hall Findlay:** Thank you for that.

Has there been any analysis of projections for renovations? Numbers that we have seen have shown a very high number of homes undergoing renovations in 2008, or at least planning already, before these tax measures were announced, to move ahead. And we're now hearing anecdotal evidence that even since.... I don't know anybody who's had to find a contractor to renovate recently. These are not the big construction projects. These are in fact projects where it's hard to find people to do the work. And since the budget has been announced, there's already some difficulty in terms of capacity.

So the construction industry is not the same through all types of projects, and I wonder if there has been some analysis of the capacity to absorb of the renovation industry to in fact be able to accommodate these plans.

**Mr. Paul Rochon:** We haven't done a detailed study, but we have looked at that question. And of course construction employment, along with other employment, has declined recently. Further, our expectation—

**Ms. Martha Hall Findlay:** Just to be clear, the construction industry has declined dramatically, but not in the small-scale house renovation business. It has been in the large-scale construction projects. I just wanted to say that.

• (1225)

**Mr. Paul Rochon:** You're right. And on that, there have been a lot of new homes started in the summer and late 2008 that we would expect to be nearing completion in the next month or two, and as a result of this we would think that in the specific market you refer to there will be sufficient capacity to absorb this spending.

As a share of total construction, this represents an increase in the order of 10% for total construction and renovation. So we expect that there would be sufficient capacity, but that's a difficult thing to measure, we accept.

**The Chair:** I'm just going to jump in here, as chair, with a question.

Most of us in the House are fairly dedicated now to getting stimulus money out the front door. But it puzzles me that if there was unspent infrastructure spending availability in the current fiscal year, 2008-09, running into the billions—at least a billion or billions—and if the Bill C-10 stimulus package isn't really going to hit the street until the next fiscal year, I'm kind of puzzled why there isn't a real initiative to get out the already-appropriated, approved spending in the current fiscal year.

The problem is actually now. In fact, the government has support in the House maybe only because of that need for stimulus spending. And if there's money unspent, ready to be spent, why isn't there a whip somewhere getting that money out yesterday? The fears

expressed around here about the money not getting out quickly apply just as much to the unspent money from 2008-09.

Can somebody answer that?

**Mr. Paul Rochon:** There are a number of changes being made to accelerate the existing approval process. There are a number of proposals to change those processes, and they relate to the approval processes required to proceed with these projects. A number of those are—

**The Chair:** Are you talking about the new ones or the old ones?

**Mr. Paul Rochon:** I am talking about—

**The Chair:** The new.

**Mr. Paul Rochon:** No, I'm talking about the old ones.

For example, in the case of an environmental assessment, which often takes some time, there's a proposal that in cases where a provincial government has also done an environmental assessment, the federal government could use that one instead of doing a separate federal assessment, as is currently the requirement.

**The Chair:** Are you trying to tell us today that there are some really good administrative reasons why money otherwise available for stimulus in the current fiscal year is not being spent—there are good reasons for that, really good reasons?

**Mr. Paul Rochon:** Look, we're not experts in infrastructure, so if you want to dig down deep on that, I'd suggest that officials from Transport Canada would be the appropriate officials to speak to.

**The Chair:** Okay.

**Mr. Paul Rochon:** Our understanding is that there are a number of reasons for the current delays, all of them appropriate as far as we understand, and they relate to decision-making and approval processes. Again, I'd point out that these are largely projects that are greenfield in nature, as opposed to repairs and renovations.

**The Chair:** Mr. Kennedy, you'd like to add something?

**Mr. Simon Kennedy:** I'd like just to add to what my colleagues from the Department of Finance have said.

I think, Mr. Chair, one of the things that's important to look at, as well, is the purpose of the programs that have been set up. Clearly, the purpose of the measures set out in budget 2009 is stimulus; hence the focus on renovation and repair, rehabilitation, and hence the two years of money. But the Building Canada plan is actually a seven-year program, and it was designed, in large measure, for strategic investments—major highway interchanges, borders, major rapid transit systems in cities, those sorts of things—and those projects have a much longer time horizon and, as my colleagues noted, in many cases have significant regulatory and other hurdles to go through.

So it's not a perfect answer, but there are in some cases reasons why some of the money in Building Canada has not gone out yet. The purpose of the program is not immediate stimulus; it's actually strategic investment.

**The Chair:** You don't think we could change the focus on that at this eleventh hour? In the month of January or February we could sort of get the focus changed on that stuff?

• (1230)

**Mr. Simon Kennedy:** In fact, I think the budget does talk about accelerating to the extent possible—

**The Chair:** That's great.

**Mr. Simon Kennedy:**—spending under those programs.

**The Chair:** Thank you.

Mr. Anders, for five minutes.

**Mr. Rob Anders (Calgary West, CPC):** All right.

There's been a good deal of talk about lower taxes for middle-income workers, and tariff relief and what not. I'll just kind of give an opportunity to our witnesses today to talk about what they think would be the best stimulus—personal tax cuts or reductions in, for example, the GST, the goods and services tax.

I personally would probably be in favour of the goods and services tax, just on first blush, because I think that would stimulate people to spend, whereas an income tax cut is something they don't really get or see the effects of until later, after they've completed their own tax returns, etc. An announcement on a GST cut, or something like that, is something more immediate.

I wanted to open it up to our panel today to see if there are any opinions on that.

**Mr. Paul Rochon:** In fact, in annex 1 of the budget, which is, admittedly, 240 pages in, we report what are referred to in the field as “multipliers”; that is, how much economic activity one gets for each dollar spent, either through infrastructure, for example, or a tax cut. The standard analysis would tell you that your most immediate bang for the buck comes from infrastructure spending. The issue, I suppose, with infrastructure spending, as we have discussed today, is that it sometimes takes some time to get going. In comparison, a cut to personal income taxes in the first year tends to have a somewhat smaller stimulative impact, but it builds over time as people adjust their savings and consumption patterns to lower taxes.

In response to your question, I think our best advice would be that a balanced package, a package that uses the full range of programs and instruments available to the government, is probably the best way to go if one's goal is to stimulate economic activity.

**Mr. Rob Anders:** Are there any other opinions from our panellists today? Everybody is mum.

**Mr. Simon Kennedy:** I would certainly defer to the Department of Finance on tax measures.

**Mr. Rob Anders:** Earlier, Madam Bourgeois asked some questions about the relative merits of cash versus accrual accounting. Mr. Calandra and I talked about this briefly, and I'm sure he would be interested in your response. Do any of you have strong opinions on cash versus accrual accounting, and why?

**Mr. Stephen Richardson:** Accrual accounting is the standard for governments in Canada. It is also the standard for businesses in Canada. While we don't set those standards—they are set independently by the Accounting Standards Board or the Public Sector Accounting Board—I think there are fairly well accepted reasons why accrual accounting gives a more accurate picture, over time, of the financial results of either an enterprise or a government. Measuring cash is important for a number of reasons, not the least of

which is appropriate control. We have spent much of the time here focusing on cash because we're looking at economic stimulus. But generally, for showing a proper picture of revenue and expense, or assets and liabilities, accrual is thought to be more accurate. Cash can be very lumpy and can distort the picture in a particular period. Up until 2003, the governments in Canada, the Government of Canada particularly, used a modified cash approach. But we have now moved to accrual because the theory is that it provides a more accurate picture over time.

**Mr. Rob Anders:** If I have any time left, I'd like to pass it over to Mr. Warkentin with the Conservative Party, if he so chooses.

**Mr. Chris Warkentin (Peace River, CPC):** Thank you.

I wonder if I might be able to speak to the folks from Statistics Canada. In your statement, Ms. Wilson, you said you'd done a current analysis of the infrastructure in Canada. Was that only government-owned infrastructure? I'm wondering if you did anything on the railroads, which are in most cases in private hands, or on privately owned power generation and transmission.

• (1235)

**Mrs. Karen Wilson:** Our study used a broad definition of infrastructure, irrespective of who the owners of the infrastructure might be. It covered all sectors.

**Mr. Chris Warkentin:** I guess I'm hearing that there was an analysis done on railroads. Was it broken down by region, or was it simply infrastructure across the country?

**Mrs. Karen Wilson:** I haven't memorized the results of those studies.

**Mr. Chris Warkentin:** I appreciate that.

**Mrs. Karen Wilson:** But I certainly can make the study available to you, and you can have a look at it.

**Mr. Chris Warkentin:** That would be fantastic. I've been working towards an understanding of that for some time. So that may help me, and I'm sure other committee members would be interested in that particular report as well.

**The Chair:** Mr. Warkentin, you have extended the round of Mr. Anders, but I'd be delighted to put you down for an additional one.

**Mr. Chris Warkentin:** That would be fantastic. I'd appreciate that.

**The Chair:** Madame Bourgeois, for five minutes.

[*Translation*]

**Ms. Diane Bourgeois:** Thank you, Mr. Chair.

My question goes to the Department of Finance, possibly to Mr. Richardson.

We find out in this budget that section 18.2 of the Income Tax Act is going to be repealed. The use of tax havens has been denounced as a strategy for a long time. The Auditor General of Canada has mentioned it a number of times. She even made a point of saying that Canada had lost hundreds of millions of dollars in the last 10 years. In 1994, she found that there was a tax shortfall of \$3.5 billion. Even Minister Flaherty wanted to keep the section in 2007.

You are saying that the budget contains stimulus measures, but can you tell me how this approach, by which I mean repealing section 18.2, constitutes an economic stimulus? Is this not going to harm small to medium-size enterprises that want to do business too?

[English]

**Mr. Stephen Richardson:** I think the repeal of section 18.2 is not a measure that directly affects stimulus very much one way or the other. So I wouldn't want to suggest it is a stimulus measure.

I think, though, there are some economic consequences that may be related to the provision, or the absence of that provision. Many Canadian businesses were concerned about the effect of section 18.2, because what it did, as I noted before, was to deny interest deductibility on certain debt taken out to make investments in other countries, or outside of Canada.

I think for many Canadian businesses, it's important for their health, and therefore for the health of the Canadian economy, that they be able to operate on a basis that is fair vis-à-vis their competitors in other jurisdictions. The concern that had been expressed, as was reflected in the report of the expert panel on international taxation, was that Canadian businesses were operating at a disadvantage compared with their competitors, if they were going to be subject to a provision like section 18.2.

Those are some of the reasons and considerations behind the decision to eliminate that section. Again, while I don't think it relates to stimulus directly—

• (1240)

[Translation]

**Ms. Diane Bourgeois:** You said that, according to the experts, our Canadian businesses were being disadvantaged. But the experts were talking about Canadian multinationals, were they not, not small to medium-size businesses?

[English]

**Mr. Stephen Richardson:** I think they were talking generally about any business that was investing abroad, and I would agree those would be larger businesses generally, rather than smaller businesses.

[Translation]

**Ms. Diane Bourgeois:** So we are talking about multinationals.

[English]

**Mr. Stephen Richardson:** But I don't think there is anything negative in the removal of section 18.2 for small and medium-sized businesses.

[Translation]

**Ms. Diane Bourgeois:** That is fine. My next question goes to Statistics Canada.

in their document, Mr. Richardson and Mr. Rochon say:

...and take measures to strengthen Canada's financial system, including moving forward with willing provinces on a Canadian Securities Regulator.

Has Statistics Canada done any research on provincial Securities Commissions to find out who would be disadvantaged by this measure or what advantage it could have?

**Mrs. Karen Wilson:** No, we have not.

**Ms. Diane Bourgeois:** Mr. Richardson.

[English]

**The Chair:** Well, that's nice and clear. Thank you.

Colleagues, we're getting closer to the end of the meeting. We have some routine business that we want to accomplish, including a consideration of reporting back to the House on the supplementary estimates. So although the next round goes to Mr. Martin for five minutes, I'm inviting you to ask one question, or maybe one question with a supplementary, to keep it confined so that we can get two or three more members in before we move away and let the witnesses go. I'm inviting Mr. Martin to try to do that.

**Mr. Pat Martin:** I'm happy to try to cooperate, Mr. Chairman, although I don't have a great deal to ask.

Perhaps as my closing remark let me say that the reason our party is having a hard time supporting Bill C-10 is that we find it draws more from the economic update of November than it does from the budget. The question I would put to any of the witnesses, not unlike my colleague from the Bloc previously, is what economic stimulus do you think the government could draw from limiting women's right to take pay equity appeals to the Human Rights Commission, or rolling back wages in the public sector, or gutting foreign ownership legislation, or going after student loan debt even more aggressively but not going after Technology Partnerships Canada loans? The payback rate for student loans is 96%. The payback rate for Technology Partnerships loans is 2%, and there are billions of dollars out there.

This thing is like a neo-conservative piñata, and when Mr. Ignatieff hits it, all this neo-conservative wish list is going to rain down on Canadians' heads.

What possible economic stimulus could you draw from any of the examples I've just cited? Can anybody answer?

**Mr. Paul Rochon:** Well, in Bill C-10 there is approximately \$11 billion in authorities to provide stimulus with respect to the measures you raise. Most of them relate to management of various programs rather than to stimulus per se.

On the specific question of public sector wages, I would just point out that the government and the Public Service Alliance of Canada agreed on the wage rates that are in the legislation.

**Mr. Pat Martin:** That's a good answer, Paul; I appreciate that.

The one last thing I raise, and it's a serious question, is that many of us feel—and watching the United States, the point is being made—that the work that needs to be done to save the planet may in fact be the work that shepherds us through these economically difficult times: there's the blue-green alliance that's being formed; energy retrofitting is huge.



But there's one question I have. There's a government program now called the federal building initiative. The federal government owns and controls 65,000 federal buildings; yet I think a total of only 1,100 of them have ever had any energy retrofit renovations above and beyond changing light bulbs. Would it not be reasonable to lead by example and show the private sector job creation and operating cost savings associated with a comprehensive energy retrofit of your own publicly owned buildings?

Could you answer what the status of the federal building initiative is, and do you contemplate escalating that activity in the context of this stimulus?

•(1245)

**Mr. Paul Rochon:** I can't comment specifically on the federal building initiative, but what I can say is that the moneys that have been made available to Public Works to improve federal buildings certainly are there and are available to also make energy-efficient retrofits as required, as well as to increase accessibility to federal buildings for disabled Canadians. There's nothing, in other words, that prevents Public Works from going in that direction, if it so desires.

**The Chair:** Thank you for your cooperation, Mr. Martin.

Mr. Calandra has one question.

**Mr. Paul Calandra (Oak Ridges—Markham, CPC):** I'm very excited about the infrastructure program and the possibilities for my municipalities. All of the municipalities in my riding have submitted a long list of projects they have that are ready to go.

I have two questions. First, I want to make sure that we are going to be maintaining accountability and won't be sacrificing accountability for speed. And second, is Oak Ridges—Markham the only riding in Canada that has municipalities ready to go with projects? I was under the understanding that municipalities across Canada are anxious and ready to go with these projects. Are we suffering from a lack of applications that are ready to be financed?

**Mr. Stephen Richardson:** Let me deal with both those questions.

On accountability, certainly there is some emphasis on doing things more quickly, and we're very sensitive to that, but we are also sensitive to maintaining appropriate accountability and control for public funds.

I would note in that regard that as is normal with public spending at the federal level, all of the funds we've been speaking about will be approved by Parliament. All of the various disbursements of these funds will go through normal channels, including—where they are appropriated funds—through Treasury Board. And if they don't go through Treasury Board and are not subject to Treasury Board terms and conditions as a normal matter, then that has been added as a condition for the appropriation. In fact, if you refer to Bill C-10 you'll see that specific appropriations in part 6 of Bill C-10 refer directly to Treasury Board terms and conditions as being a requirement.

We have tried to do what is possible to make sure that things happen more quickly—because that's very important from the economic perspective right now—but with an appropriate view to accountability and control.

On the second question, I'm not really an expert on the various municipalities in Canada, but I think I can mention that there have been other municipalities, in addition to Oak Ridges—Markham, that have indicated a keen interest in pursuing some infrastructure projects.

**Mr. Paul Calandra:** Thank you.

**The Chair:** Thank you.

I have two quick questions.

Do the fiscal year 2008-2009 funds for infrastructure spending lapse if not spent? I'll direct that to Privy Council—or to the Department of Finance.

And second, has the government yet put in place any kind of mechanism—a secretariat, a task force—to, on a macro-basis, manage and facilitate, with accountability, all of the stimulus spending proposed in Bill C-10.?

**Mr. Paul Rochon:** Why don't I answer the first question, and I'll leave the second one for the Privy Council Office.

With respect to 2008-2009, which is the fiscal year we are in now, there is not any new infrastructure proposed. It would take effect in 2009-2010, the fiscal year that is about to begin in April.

To your specific question, any funds from 2008-2009—which is the existing infrastructure program—that do lapse would be re-profiled. However, the budget “use it or lose it” principle applies to the new funds, which take effect in 2009-2010 and 2010-2011.

•(1250)

**The Chair:** All right. So the unspent infrastructure funds from 2008-2009 could be re-profiled and spent later. Is that “could be”, “will be”, “probably will be”, “may b”...?

**Mr. Paul Rochon:** Could be.

**The Chair:** Okay, thank you.

Where's the whip on the stimulus spending?

**Mr. Simon Kennedy:** Shortly after the budget, the Privy Council Office, working with colleagues in the Department of Finance and Treasury Board, convened the deputy ministers responsible for each of the departments that have a chunk of the stimulus to get the ball rolling and to organize ourselves to support the government in implementing the stimulus. Our intention is that this will be a regular process. There will be meetings at the senior official level at regular intervals to basically keep track of the work and make sure it stays on course.

**The Chair:** Okay.

It looks to the chair that StatsCan hasn't been aggressively consulted on what the best types of stimulus spending are, but there may be other sources of that information already in the government. I appreciate the efforts of StatsCan to have the data available, and if individual members do have questions in that regard, I'm sure StatsCan would make every effort to assist.

With that, we can handle another 10- or 15-second question or two.

Ms. Hall Findlay, do you have a 10-second question?

**Ms. Martha Hall Findlay:** I do.

**The Chair:** Okay, go ahead.

**Ms. Martha Hall Findlay:** I actually have a 10-second question.

It's actually an apology to Mr. Richardson, because there were two bits to the ways and means motion, and it does include the home renovation. I just wanted to clarify that. Thank you for your patience on that.

**Mr. Stephen Richardson:** Accepted.

**Ms. Martha Hall Findlay:** Also, I'd just add a moment of credit for the government for getting rid of section 18.2, because there were those of us who thought it was not appropriate at the time. So this is a rare moment for saying well done. We think that was the right move.

Thank you very much for your patience and your attendance today.

**The Chair:** Well, Ms. Hall Findlay has taken my own words.

Thank you all very much for attending today. I'm sure it's been helpful. Good luck in your work getting that money or stimulus spending out the door.

You are now free to leave.

The committee will continue with administrative business.

Colleagues, we have three items of business that we want to accomplish. Most of it is routine, but I want to ask if there is a motion now to report back to the House on the supplementary estimates B.

Actually, colleagues, the procedure is for us to go through each of the votes in the supplementary estimates B. There are four categories. I will put those to the meeting and seek your approval of them and to report back to the House.

CANADIAN HERITAGE

Public Service Commission

Vote 80b—Program expenditures.....\$1,248,792

Public Service Labour Relations Board

Vote 85b—Program expenditures.....\$5,401,410

(Votes 80b and 85b agreed to)

**The Chair:** There is another vote, this one under Privy Council.

PRIVY COUNCIL

Ministry Summary

Vote 1b—Program expenditures.....\$10,081,146

(Vote 1b agreed to)

**The Chair:** And there are votes 1b and 5b under Public Works.

PUBLIC WORKS AND GOVERNMENT SERVICES

Ministry Summary

Vote 1b—Operating expenditures.....\$93,040,224

Vote 5b—Capital expenditures.....\$16,805,000

(Votes 1b and 5b agreed to)

**The Chair:** The clerk provided me with a short list, but it's really a long list.

Now I'm going to read out a number of votes, and if you wish to debate or intervene, please do.

I'm looking for approval of votes 1b, 15b, 20b, 30b, and 50b, Treasury Board. Shall each of those votes carry?

TREASURY BOARD

Secretariat

Vote 1b—Program expenditures.....\$12,948,558

Vote 15b—Compensation Adjustments.....\$170,671,485

Vote 20b—Public Service Insurance.....\$1,943,839

Vote 30b—Paylist Requirements.....\$1

Public Service Human Resources Management Agency of Canada

Vote 50b—Program expenditures.....\$16,722,742

● (1255)

**The Chair:** Mr. Martin, before they're carried, do you have a question?

**Mr. Pat Martin:** Yes, I do have a question, Mr. Chairman.

Is there a way to record the votes with the on-division rule, for instance, that we use in the House? I would like the record to reflect that I'm not satisfied with vote 5b in its totality. In fact, I'm vehemently opposed to one element, dealing with the funding of the Chrysotile Institute.

**The Chair:** You did have a proposed motion for that.

**Mr. Pat Martin:** I intend to withdraw it, as I believe the motion will probably be out of order.

**The Chair:** All right, so we're coming together. There's a meeting of minds.

Mr. Martin would have moved the motion to modify and reduce vote 5b, Public Works and Government Services. There's been some discussion, and his motion appears to be out of order.

Forgive me, it was actually vote 5b under Natural Resources.

So can we dispose of these and then come to your issue? Is that all right, Mr. Martin?

**Mr. Pat Martin:** Certainly.

(Votes 1b, 15b, 20b, 30b, and 50b agreed to)

**The Chair:** So these votes are carried.

Shall I report the supplementary estimates B to the House?

**Some hon. members:** Agreed.

**The Chair:** Now, Mr. Martin, we go to your issue. You had a motion dealing with the Department of Natural Resources. For the reasons that have been discussed informally, that motion, if put, would be out of order.

You're going to withdraw it, I understand.

**Mr. Pat Martin:** Yes, and I won't bog down the committee with any arguments on it. I'll simply withdraw it and hopefully it will surface in another incarnation at another committee, perhaps.

**The Chair:** Thank you, Mr. Martin.

I have another motion, which hasn't been moved. It comes out of our business meeting yesterday. It's dealing with the desire of one of our members to study the ability of small and medium-sized enterprises to access federal procurement.

Madame Bourgeois, do you want to move that? It's really your item of business.

[*Translation*]

**Ms. Diane Bourgeois:** Certainly.

[*English*]

**The Chair:** It is moved by Madame Bourgeois, second by Mr. Anders, that the committee study the ability of small and medium enterprises to access federal procurement both generally and as part of the stimulus package.

(Motion agreed to)

**The Chair:** The motion is carried. Thank you.

The staff will put together a meeting or two on that issue.

When we reconvene on Thursday, it will be a meeting without witnesses. We will study future business, and the staff will do a workup on that. We have at least half a dozen we can pick from.

Seeing no further business, the meeting is adjourned.

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