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Chair

The Honourable Wayne Easter

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•(1105)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We'll come to order.

Pursuant to Standing Order 108(2), we are here on the study of the cost estimate of Bill C-239, an act to amend the Income Tax Act (Charitable Gifts), and the cost estimate of Bill C-241, an act to amend the Excise Act (School Authorities), and recent reports that the parliamentary budget officer has done.

We have with us today, Jean-Denis Fréchette, the parliamentary budget officer, and a number of officials are with him. Welcome, Jean-Denis and company. We'll hear your opening statement and go from there.

Welcome and thank you.

Mr. Jean-Denis Fréchette (Parliamentary Budget Officer, Library of Parliament): Thank you, Mr. Chair, and vice-chairs.

I would like to introduce my colleagues. With me today are Dr. Mostafa Askari, assistant parliamentary budget officer; Chris Matier, senior director, economic and fiscal analysis and forecasting; Tim Scholz, economic analyst; Elizabeth Cahill, financial adviser-analyst; and Jason Jacques, director of fiscal analysis.

Thank you, committee members, for this invitation to appear and for the opportunity to discuss our recent reports. Since our last appearance before your committee on April 19, we released eight reports, including two analyses last week on the cost estimate of private members' business, Bill C-239 and Bill C-241. These two studies were done in the context of your committee's routine motion requiring the PBO to conduct a detailed and comprehensive costing analysis of selected private members' business appearing on the order of precedence.

Since yesterday, Bill C-239 is, of course, no longer on your agenda.

[Translation]

Since the committee's notice of meeting also refers to our recent reports and since those cover a wide range of topics, I will stop there, Mr. Chair.

[English]

The Chair: Okay, thank you. We will turn to questions.

I believe in my discussions with Mr. Fréchette, the group before us is willing to answer and discuss any of the eight reports that you

mentioned. However, I think it's a moot point on Bill C-239, which was defeated last night in the House.

The first round of questions goes to Mr. Sorbara.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Mr. Chair, and welcome, everyone.

I'd like to get an opinion. The PBO undertakes a certain set of analyses in a certain framework, and projects outward in terms of growth profiles. Our budget put in place a certain degree of prudence in terms of assumptions and in terms of the growth profile. We've seen in the first quarter somewhat of a tempering on the growth profile, and obviously, an exogenous shock to the economy with the fires in Alberta.

During that time, we came into some criticism in terms of being conservative in our forecast, but it seems to sort of play out that by being prudent in our growth forecast, we've actually done the right thing in how the economy has played out in the first quarter. We've had this exogenous shock and we will have a second half rebound.

I'd like to get your comments on that, because in some of the reports, I did see some commentary on that.

Mr. Jean-Denis Fréchette: Thank you for the question.

Mr. Askari will answer that question.

Mr. Mostafa Askari (Assistant Parliamentary Budget Officer, Office of the Parliamentary Budget Officer, Library of Parliament): You're absolutely right. The second quarter is probably going to be much weaker because of the fire, but that's mainly a timing issue. Once the rebuilding starts in Fort McMurray, actually, there's going to be a boost. It's not clear whether there's going to be a negative impact overall on the economy.

On the other hand, oil prices are actually much stronger than what was anticipated a few months ago, so that might increase potential for revenues in the short run.

Mr. Francesco Sorbara: Okay.

My second question deals with the Canada child benefit, and the way we've structured it versus the prior family tax cut that was in place under our predecessor. My understanding is that under that system, if you were a single parent family, you wouldn't actually benefit from the tax cut, because you would have no one to split your income with, whereas, with our new Canada child benefit, whether you're a single-income family or a double-income family, theoretically you'll benefit from both. Is that accurate?

Mr. Mostafa Askari: Well, we haven't really looked at every family structure.

One thing we did in response to a request recently was to take eight selected families, which the member had selected, and provide the impact of the budget measures on those families. Those families are not necessary representative of the population, but those are the families that were selected by the member.

Based on that, families with younger children and lower income will benefit in general from budget measures, and families with higher income and older children may not. But each family has its own characteristic, and it's very hard to tell who will benefit. There is really no average family, in that sense.

• (1110)

Mr. Francesco Sorbara: We know that nine out of ten Canadian families will be better off under the Canada child benefit plan, which will come into effect in July and is tax-free. It's monthly, simple, easily understandable, and I think we need to applaud our government for that. It will lift 300,000 children out of poverty.

Moving on to small business, under our purview, many of us in our committee want to undertake some sort of taxation review, whether it's reviewing tax expenditures or reviewing the tax code. There is a preferred rate for small business. Does it serve, from any of your research, as a disincentive for those small businesses to grow?

The Chair: Mr. Scholz.

Mr. Tim Scholz (Economic Analyst, Library of Parliament): We didn't look specifically into this issue when we did our report, but what I can do is provide a brief summary of the literature that we reviewed.

Our assessment of the literature shows that the preferential taxation for small businesses was introduced on the basis that smaller firms face unique constraints in accessing financing to grow, as well as the cost of compliance with tax and regulatory measures. It's harder to spread those fixed costs across a smaller business.

The evidence has come out recently, so I'll just name a few examples. Mintz and Chen in 2011 noted that the current design of the small business preferential rate, and in particular the gradual phase-out as a company grows, effectively raises the marginal effect of tax rates on investment and growth for these businesses in transition, which could act as a deterrent to growth.

Another study, by Dachis and Lester in 2015 for the C.D. Howe Institute, found evidence that some businesses were essentially clustering around these thresholds, and it wasn't possible to tell whether this was because of reduced investment or not growing or tax planning, but their assessment was that this could be creating a distortion.

Mr. Francesco Sorbara: I'll make the analogy on that front. It was almost like an income trap, or what some in the economics literature would refer to on the personal level as a welfare trap, whereby you have a low-income person who is receiving some set of benefits, and as they start working and earn some income, they face higher and higher marginal income tax rates as they go up, but they're actually still relatively low income.

I make that analogy for small businesses, because we want them to scale up. We want them to grow. We don't want to have disincentives on that side. Looking at measures to make sure they grow is important for our government.

I have one final question. In terms of our infrastructure plan and in terms of the estimates you've provided, I see that there is a large and notable positive impact on the economy as we move forward with our infrastructure plan and measures that we've introduced in our budget. I am wondering if you could comment on that as well, please.

The Chair: Mr. Askari.

Mr. Mostafa Askari: We haven't really done any analysis of the impact of infrastructure spending specifically on the economy. Certainly infrastructure spending, like any other spending, has a multiplier impact, and typically infrastructure spending multiplies a bit more than some other measures, but we haven't really done our own analysis of the impact on the Canadian economy specifically for infrastructure.

Mr. Jean-Denis Fréchette: Mr. Chair, we were in the other place in front of the committee last night. We discussed that issue. We mentioned to the Senate committee that we will probably in the fall... We're already working on a work plan about the infrastructure project. We would like to monitor a little bit more the expenditures that will be invested in infrastructure in the upcoming months. It's something we will be pursuing in the next few months.

Mr. Francesco Sorbara: Do I have 10 seconds?

The Chair: You have 10 seconds.

Mr. Francesco Sorbara: Table 1 in the briefing document dated April 11, 2016, shows the positive impact from our budget measures that were introduced, and which the PBO has modelled.

A voice: Yes.

Mr. Francesco Sorbara: Thank you.

• (1115)

The Chair: Thank you.

Before I turn to Ms. Raitt, I do apologize to everybody for the number of moves for this committee meeting today. I think it's been moved three or four times, but the last reason for a move was the sinkhole down the street. I know it's been confusing.

Ms. Raitt.

Hon. Lisa Raitt (Milton, CPC): Thank you very much, Mr. Chair.

One of the topics I want to discuss is actually not one of eight reports you have. It's a report that Mr. Matier was actually an author of, and that has to do with household indebtedness. The reason I want to discuss it is that this morning, the Bank of Canada actually talked about their concerns as well.

Would it be okay if I ask a few questions around that report, specifically?

Thank you.

In the report, there are a number of highlighted issues with respect to how high household indebtedness.... I want to understand what your motivation was in conducting the research that you did. Also, what are your concerns for Canadian households when it comes to this level of risk they find themselves?

Mr. Chris Matier (Senior Director, Economic and Fiscal Analysis and Forecasting, Office of the Parliamentary Budget Officer, Library of Parliament): Our motivation really was that the issue of household indebtedness had been flagged by both the Government of Canada as well as the Bank of Canada. We wanted to contribute to the analysis in highlighting one of Statistics Canada's recent data indicators on this, and that is the household debt service ratio, which we believe provides probably a better indicator of the vulnerability that households face by carrying such a high debt load.

Our analysis suggested that in the current environment, with low interest rates, while this ratio was high, it was not outside of historical experience. But looking ahead, if we believe that interest rates are going to increase even gradually, maybe 200 to 300 basis points, this would stretch households further in terms of their debt servicing capacity.

One of the limitations of the analysis was that it was done at a very aggregate level. As I'm sure you're aware, in the work at the Bank of Canada, they're able to look and focus more on the distribution side of this, so the aggregate numbers mask a large variation across a wide range of households.

Hon. Lisa Raitt: Did you have an opportunity to see what the Bank of Canada came out with this morning? I'm not going to ask you questions on their report, of course, but just before I start talking about it, I don't know if you had a chance to look at it before you came in.

Mr. Chris Matier: Are you referring to the "Financial System Review" that was released this morning?

Hon. Lisa Raitt: That is correct.

Mr. Chris Matier: No, I haven't read it, but that's definitely one of the documents that I follow closely.

Hon. Lisa Raitt: In the summary, it talks about exactly what you guys talked about in your paper. It had to do with vulnerabilities, and

that shock to the system could actually spin us into a very dark place in terms of either a recession or Canadian households would not have the ability to bounce back.

You expressed some concerns in it. The Bank of Canada is expressing concerns going into the future as well.

What advice would you have for parliamentarians to watch for as a distant early warning system, I guess, for something like this happening? The way I see it right now, both the Bank of Canada and you have very forcefully—because you wrote it in a paper and you're giving it light—said that household indebtedness in Canada is very concerning, and that if something were to happen, we're vulnerable. What advice would you give to parliamentarians in terms of what we should be watching for and what we should be doing?

Mr. Chris Matier: In terms of the financial indicators that are released by Statistics Canada, I think that their debt service ratios as well as their debt-to-income ratios and their leverage ratios, their debt-to-asset ratios, that they publish are a good place to start. As well, I think documents and reports such as the bank's "Financial System Review" is essential reading. Again, they are providing a much deeper dive into the finer details.

The other indicators that are often looked at are mortgage delinquencies or loan delinquencies as well at a higher frequency. If you start to see those trend up, that is an early warning sign, too.

• (1120)

Hon. Lisa Raitt: With respect to household indebtedness, 174% I think is what you guys have indicated. It was at least 170%. For every \$100 of disposable income, households had a debt obligation of \$171, which is the highest level recorded since 1990. That's what you wrote in your report.

I'm curious, how much of this has to do with the inflation of housing prices in markets such as Toronto and Vancouver?

Mr. Chris Matier: That's a good question and one which we didn't focus on in terms of trying to disentangle. There are several factors that are contributing to that increase in indebtedness. I see that with some lower interest rates and the higher housing prices that are fed by that, but also through other demands from outside the country. No, we don't have a precise estimate of the contributing factors there.

Hon. Lisa Raitt: I have one last question.

When you use the term "disposable income", that's the income people have after they pay everything out, like the rent and the mortgage, and I assume it's the money people have left over after they pay their taxes.

Mr. Chris Matier: You're right in that taxes are taken out of there. What's not taken out are those mortgage payments, or even the interest payments. This is the amount that would be used to go toward paying those interest charges or mortgage payments.

Hon. Lisa Raitt: Right.

In a ratio, you would agree that if anything takes away from that disposable income, like higher taxes, you're going to see the indebtedness of households go up.

Mr. Chris Matier: Yes.

Hon. Lisa Raitt: You said that's with the percentage, but higher taxes from the government, higher payments on CPP, higher OAS, higher ORPP, or higher GST, all those things could possibly drive Canadians into a more precarious situation of vulnerability in their households.

Mr. Chris Matier: Yes, all else being equal in an accounting sense, that would happen. In our report, what we were trying to flag was the shock in the labour market. For whatever reason, if there were an increase in unemployment or a weaker wage growth, then that would contribute to the stretching of that formula.

Hon. Lisa Raitt: I want to say the shock that we've experienced in the commodity market in the past two years, as noted by the OECD, has been significant on our GDP growth. That's a shock the Canadian system would feel that would have an effect on household indebtedness and have an effect on the overall piece. We should do what we can to help them out.

With that, Mr. Chair, I'm done.

Thank you very much.

The Chair: Right on time.

Mr. Caron.

[*Translation*]

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): Thank you very much, Mr. Chair.

My thanks to the witnesses for meeting with us to answer our questions.

Mr. Fréchette, I would like to start with the issue of transparency.

Actually, in your April update, we see that it wasn't necessarily easier at the time for parliamentarians to properly study the various initiatives, especially those in the estimates. There was especially the fact that the budget has shortened the period for the government's cost estimates from five years to two.

Furthermore, the budget does not clearly make a distinction between purely discretionary decisions and the fluctuations in the economy. The government's response was that this is not necessarily a problem.

Did you receive a proper answer to your concerns on this issue?

Mr. Jean-Denis Fréchette: Yes and no. Actually, there was information missing from that five-year period since we had only two years.

We finally received information for the five years, but we were told that we couldn't use it. We subsequently received authorization telling us that the data could be used and published, which is what we did.

At the same time, we received a letter stating that someone may have made a mistake, but that the government was prepared to be open and transparent in the future with the Parliamentary Budget Officer.

That being said, we still don't have the projections for the federal debt to gross domestic product ratio. We still don't have that information, but we were promised that, for everything else—in a

letter that is now on the site—the government will be open and transparent.

Mr. Guy Caron: It remains to be seen whether the content of the letter will be borne out in the future.

Mr. Jean-Denis Fréchette: The same goes for the requests for information to the other departments. There are still some problems. So far there has been some improvement with the two most problematic departments, but there is still room for improvement and we hope to see it soon.

• (1125)

Mr. Guy Caron: Just out of curiosity, we had asked you to do a study on the fiscal impact, in order to find out who would benefit from lowering the second tax bracket in Bill C-2.

You have also done studies, including for the Senate, to determine the impact of the new Canada child benefit, and the results have been interesting.

The government tends to combine everything together. It says that everyone will benefit from it, meaning that 90% of people will benefit from tax measures and that nine million Canadians will benefit from tax cuts.

According to the scenarios explored by the Senate, those measures are appealing because they will benefit families with children, but there is no study on the impact of the Canada child benefit on families without children. Has there been a request for such a study? In your view, would it be useful to study the overall impact of the tax measures, the combined tax cuts, the Canada child benefit and the tax cut for SMEs? You have also studied the elimination of that tax cut.

The government said that, since it granted a tax cut to the middle class, SMEs don't need an additional tax cut. Have you studied the impact of those three measures combined and would it be useful to do so?

Mr. Jean-Denis Fréchette: We have not necessarily analyzed all those measures together, however in the case of the child tax credit, we have looked at some scenarios that have been provided to us. The same is true for the Senate. When we receive a request from someone, such as the one you sent in January, we comply with the request that has been made. In terms of the various tax rates, meaning the amount of \$1.8 billion that will be redistributed to 33% of the people in the last tax bracket, we provided four scenarios that have been discussed with the requester. We said that there were a number of scenarios but that we will provide four and that the requester could examine those as a whole. If the committee were to make a request, it might be interesting to pursue that idea.

Mr. Guy Caron: You have conducted various studies. We can draw conclusions by extrapolating from the various studies published by your office. Calculations have been done and, ultimately, the tax cut will benefit only those who work full time and earn approximately \$23 an hour. If someone earns a full-time annual salary that is equivalent to \$20 an hour, they will not have access to the tax cut. Clearly, if those people have no children and earn only \$15, \$16 or \$17 an hour, they will not benefit from the Canada child benefit either. That is quite a significant segment of the population that will not have access to those two measures.

Mr. Jean-Denis Fréchette: Would you like me to comment on your remarks?

Mr. Guy Caron: Actually, here is what I would like to know.

Now that we have information about these various tax measures, would it be desirable to put them together and see who benefits and who is being shortchanged? Right now, the government is saying that 90% of the population is benefiting from certain measures and that nine million Canadians are benefiting from the other measure. It would be interesting to have a clear picture of the Canadians who will be affected by these changes.

Mr. Jean-Denis Fréchette: You are absolutely right. If you would like to know that, we can certainly look into it. However, I can't tell you when it will be done. I must admit that, these days, we are receiving countless cost assessment requests in relation to infrastructure taxes and so on. However, this is certainly something we can look at.

Mr. Guy Caron: Is your budget sufficient? According to your mandate, if I'm not mistaken, you must study the fiscal impact of each private member's bill associated with a specific expense, correct?

Mr. Jean-Denis Fréchette: According to the routine motion, which I had mentioned in my presentation, we must look at all private member's bills that are significant in material, fiscal and financial terms. We prepare a report and you regularly receive a letter when the order of preference is published. Sometimes, some measures and private member's bills are not part of the list of measures that will be studied. When that happens, we choose them and subsequently prepare a report, as in the case of the two reports submitted last week.

In terms of the question about the resources we have, you know that we have promised to make our office truly independent and to increase our resources to be able to calculate the cost of the measures included in the electoral platform. We are waiting to see where this will take us.

• (1130)

Mr. Guy Caron: Thank you.

[*English*]

The Chair: Thank you, both.

Mr. Fréchette, I have a question on infrastructure.

What seems to be a perpetual problem with infrastructure programs, whether it is due to federal, provincial, or municipal government, is the late start for infrastructure start-up. The fact of the matter is we are in June. You don't think you have anything done on this, but maybe you could consider it when you are doing your infrastructure study. What is the impact on the overall investment, and the costs actually, when tenders are not released in March for infrastructure programs that are coming in the summer?

I am told by the municipalities that if they don't get started until July, their costs go up because there is less labour availability, etc. Therefore, the taxpayer doesn't get the benefit of the full infrastructure program.

I am just suggesting that maybe you could look at that, as you think you are going to do some infrastructure work later. Is that right?

Mr. Jean-Denis Fréchette: Thank you. Yes, we will.

The Chair: That is a factor for the—if I could put it this way—bang for the buck on infrastructure dollars being expended by various levels of government.

We are turning to Mr. MacKinnon, for seven minutes.

[*Translation*]

Mr. Steven MacKinnon (Gatineau, Lib.): Thank you, Mr. Chair.

Mr. Fréchette, thank you and your entire staff. I think your presence and your hard work serve all parliamentarians.

I would first like to ask you about your study on the impact of the budget measures on families and the various scenarios described.

You have clearly indicated in the report that this was not necessarily a picture representative of taxpayers and Canadian families. Is that true?

Mr. Jean-Denis Fréchette: That is absolutely true.

Mr. Steven MacKinnon: If a study on a typical family or on all families were conducted, as my colleague Mr. Sorbara has indicated, we would find that nine in ten families are benefiting from the new Canada child benefit.

Mr. Jean-Denis Fréchette: Our findings are based on eight types of families. As I said, that's the scenario we had to follow. We studied the case of lower income families with two young children, that of low income families with older children and other types of families with higher incomes and fairly older children. We have noticed that the families with more modest incomes and young children will benefit the most if the child tax credit is established.

Mr. Steven MacKinnon: Of course, you will agree that this is the goal of the new Canada child benefit.

Mr. Jean-Denis Fréchette: There is a two-fold objective and that's one of them. We know that the tax credit is reduced according to the income level. Actually, by lowering the second tax bracket, those families will benefit from it more. That is one of the findings of the report.

That said, you are absolutely right. Among the eight families, we have not considered what a typical family is. We should ask again what a typical Canadian family is, by specifying the number of children, their age, and so on. We have not done so because we basically followed the scenarios that were presented to us.

Mr. Steven MacKinnon: So we could conclude that the scenarios you were asked to evaluate were cherry-picked, that is, selected specifically. Is that how the scenarios were developed?

Mr. Jean-Denis Fréchette: I don't think so. As I said, they were families with lower income and two older children. That may well be a very typical family in the sense that those types of families exist. It may not be representative of all families. It is not a significant sample, but there are low income families with two children under 10 years of age, and so on.

Mr. Steven MacKinnon: I have an observation, not a question. I am not asking you to comment on it.

In my view, this is a fine example of how the current government addresses these issues compared to the previous government. The previous government studied small groups, whereas we are looking at the benefits for society as a whole in order to better support low income families, the families that need some help.

I would like to continue along the same lines as Ms. Rait with respect to family debt. Based on what you know about the issue, whether in light of the Canada child benefit or other tax incentives, what is the impact of an unexpected government tax credit on household debt repayment? Do families spend that money or do they use it to reduce their debt? Do you have any information for us on that?

• (1135)

[*English*]

Mr. Chris Matier: It's a very good question. Unfortunately, we haven't looked at debt repayment or the capacity to repay at an individual or family kind of specific level.

[*Translation*]

Mr. Steven MacKinnon: Stimulating the economy through the tax system may be useful for families. They could repay their debts or buy consumer goods that would be useful in the long run.

[*English*]

Mr. Chris Matier: Typically, most of the macro models we look at would generate the result whereby, if lower income families received an increase in government transfers, it would more likely be spent rather than saved. It wouldn't be paying down debt but would be spent on consumer goods and services.

[*Translation*]

Mr. Steven MacKinnon: In terms of the tax rate for SMEs—

[*English*]

How much time do I have left?

The Chair: You have a minute and a half.

[*Translation*]

Mr. Steven MacKinnon: In terms of the tax rate for SMEs, I'm reading between the lines. Could you confirm the impact of a tax cut on jobs and the GDP.

How would you describe such a drop, if we consider only the impact of this tax rate on jobs and the GDP? I agree that there would be a salutary effect, as with many things the government does. If you evaluate it based on the GDP and job growth, would you say that this cut would have a negligible impact?

Mr. Jean-Denis Fréchette: If you read the lines, not between the lines, of our report, you can see that we did not describe it. We indicated the results for 2020. We talked about the impact of this measure if it is maintained. There would be 1,240 fewer jobs in Canada. In terms of the impact on the GDP as such, the actual GDP would be reduced by \$300 million. That is basically the conclusion we reached.

We generally don't qualify things. We don't say that something is good or bad, but we provide information so that parliamentarians and legislators draw their own conclusions.

Mr. Steven MacKinnon: However, you agree that there may be other ways to create more than 1,200 jobs and that there may be a greater impact than the actual cost of a drop—

Mr. Jean-Denis Fréchette: It means \$300 million less for the GDP, which is 0.015%. That's relatively minimal. You can find it in our report.

Mr. Steven MacKinnon: Okay.

[*English*]

The Chair: Thank you both.

Mr. McColeman, you have five minutes.

Mr. Phil McColeman (Brantford—Brant, CPC): Thank you for being here.

I won't take the bait given by the government side today. Usually I do. I don't think you're here to get political, in the sense that you've probably watched us from the outside for long enough to know the routine, so let's get straight to some questions here.

Your numbers would say that the impact of job creation, given the government's projections, is about 40% lower than what the government projects. Is that correct?

• (1140)

Mr. Chris Matier: Yes. Are you referring to our early April report?

Mr. Phil McColeman: Yes.

That's a large discrepancy.

I want to talk about the \$6-billion contingency. It's called a contingency, but as you look at it and as we try to question deeper and get into the details of this contingency, it's quite interesting. Just let me refer to what you have said in your reports: that it is an excessive number—that's taken from your reports.

We've also heard a lot of criticism from business about the way it's presented in the budget. I have a quote here that I won't go to; I'll just go right to the question. Are you concerned about the way the contingency reserve has been presented?

The Chair: Mr. Matier.

Mr. Chris Matier: Thanks for your question.

In our report we noted that there was a deviation from past practices in presenting the contingency reserve, or the “set-aside”, as it was referred to previously. We think in terms of fiscal transparency that it's important to clearly identify the adjustment that's being made, which will allow parliamentarians to see in the bottom-line numbers how much they can either add to or subtract from it.

Mr. Phil McColeman: Right now it appears, and through questioning of the minister—three times he's been asked whether it is a contingency or just part of the spending plan of the government.... What we are getting back from the minister in repeated answers to that question is that if there are monies available, left over that were for unforeseen...what I call “contingency”.

Unforeseen circumstances happen, such as Fort McMurray, such as other things you can't foresee, and so you create a contingency fund for those things. But at the end of the fiscal year, if that money is not used, that money then goes back to reduce the deficit of that year, if there is a deficit, or if there's a surplus it adds to the surplus, but it's not used for other purposes. That's why it's called a contingency.

My contention has been, and I would like your advice, that if it's not set out as a contingency, as it is today in the budget, it's actually planned spending. What are your views on that? I understand the need for prudence, and that's why you have contingencies, but this looks like planned spending. Is it, then, really a contingency? Can I ask you that question?

Mr. Chris Matier: Sure.

The way I think about it is that it's an adjustment that's made to revenues that is supposed to take into account the downside risk that the government sees in the private sector economic outlook. That's a very literal interpretation. It's not really a fund that's been set aside as a separate, let's say, bank account, or account that can be drawn from. It's really, I think, the government looking at the private sector outlook and saying, “We think that the balance of risks are to the downside and that really our revenues aren't going to be as high as the private sector outlook would suggest.”

Mr. Phil McColeman: Okay, as an extension of that, then, if the revenues meet projections or are higher than projections, the money that was in the contingency would sit there and would not be used for regular spending.

Mr. Chris Matier: I think this would depend on the timing. Let's say, in your case, if the economy unfolded as the private sector forecasters had indicated, that would mean revenues would be higher than they were noted in the budget. When that would take its course, whether at the end of the year or during the fiscal year, would be difficult to say, but it would at that time indicate a smaller deficit or a larger surplus, depending which side you're on.

Mr. Phil McColeman: Yes, exactly. It would go one way or the other, but it wouldn't be regular spending, and that's the answer we're getting, that it's regular spending. I just wanted to clarify that with you.

On the small business front, you reported in your reports that not decreasing the taxes, as had been promised by all parties, to the level that small business had suggested, which is the 9% level, would mean a \$2-billion loss by small business, which may have been planning on that tax break. Is that a number you stand by?

• (1145)

Mr. Tim Scholz: The \$2.15 billion was actually the cumulative increase in taxes payable over five years. Because the cost of the measure or the increase in revenues to the governments would depend on, I guess, the change from the budget 2015 path for rates—and it happened gradually—the annual cost to small businesses

gradually increases, and you can see it in the profile. The annual cost in 2021 would be, we estimate, \$815 million.

Mr. Phil McColeman: Okay, thank you for that.

The Chair: I'll cut you off there. You're well over.

Mr. Grewal.

Mr. Raj Grewal (Brampton East, Lib.): Thank you, Mr. Chair, and thank you to all the witnesses for coming today. I really appreciate it.

Your mandate is to provide independent financial analysis for private members' bills and any requests by members of Parliament and senators. Following on Mr. Caron's question, how do you prioritize what studies to take on and what studies not to take on?

Mr. Jean-Denis Fréchette: With difficulty sometimes.

As I mentioned with respect to private members' bills, it's always the materiality of a request. If it's financially important, and there is some important interest for debate, we will look at the topic. Materiality is not necessarily a fixed amount of dollars. If an estimate on the back of an envelope says it's going to be \$50 million, it's not something we will look at.

The reason is that we have 16 analysts to be exact and two administrative assistants, so we certainly cannot look at all these requests.

It's the same thing with all the requests we receive from parliamentarians. Last night the question was asked about how many we receive. Increasingly, it's more in the past months. I can tell you that now it's on a regular weekly basis that we receive requests from parliamentarians for various topics to be costed or to have an analysis on them.

Mr. Raj Grewal: Thank you.

Once upon a time, I used to be a financial analyst for a Fortune 500 company. My projections were only as good as my assumptions. As any financial analyst knows, making prudent assumptions are essential to having good forecasts.

In this study you have done for the eight families, how were the eight families determined? With a lot of your assumptions in appendix B, how do you determine exactly what assumptions you're going to use and not going to use?

Mr. Mostafa Askari: As I mentioned earlier, the families were selected by the member that requested the—

Mr. Raj Grewal: The formal question is, where's the independence there? The study should be on the impact of the government's Canada child benefit on families across the board.

If an MP, for example like myself, says that he or she wants you to study a specific thing, I think that blurs it, because I would send you families where I know the answer is going to be in my favour and not what's in the best interests of the country, which is probably bad in terms of parliamentarians.

I think the PBO should push back in that instance to say that you will do the study, but you will pick the assumptions, and you will pick the families that you're going to do the analysis on. That would maintain the office's independence, in my opinion.

Mr. Mostafa Askari: I agree with you in the sense that's why we said in the report that those families are not representative of the population. Those are picked by the member. Those are the results.

We could have expanded the analysis and done other things, but at the time, given many specific resource constraints, we did not expand the question.

You're absolutely right. In the past, we have received requests from members that, in our view, were loaded questions. We either modified the question in sitting with the member and modified the request, or we did not do it.

Yes, you're right. We have to be careful with how we respond to the requests.

Mr. Raj Grewal: Thank you.

My last question is on the contingency. The government ran on a commitment to ensure we were honest with Canadians, that we were accountable and transparent, and that we would give Canadians an update as our fiscal situation changed.

We all know the world economy is quite volatile right now, and we're going to have a period of slow growth going into the remainder of the year.

The \$6-billion contingency, in my opinion, is a prudent contingency to ensure that on upside or downside risks.... Across the board, in any industry, contingencies are built into profit and loss statements, into balance sheets, and into income statements because there are certain assumptions you cannot predict. When you're dealing with a \$2-trillion economy, a \$6-billion contingency seems adequate.

I'd like your comments. I know, Chris, you spoke about this before, but it makes sense to have a contingency, especially when revenues are so contingent on factors like the price of oil and the price of energy. I think that in anybody's opinion, at best you are going to make some decent assumptions, but it's out of your control.

● (1150)

Mr. Mostafa Askari: As my colleague mentioned earlier, the reason for this prudence factor or contingency or however you call it—it has been called various things—is to try to cover the risk in the economic forecast. That risk has to be based on previous practice, the history of forecasts over many years, to see what the probabilities are of those forecasts and how much risk you want to assume for them. Typically, in any economic forecast, the forecast has to be a balanced risk forecast. The risk has to be the same on the upside and the downside.

In the case of the contingency fund, what happens is that you only cover the downside risk. To the extent that it's not really, from our point of view...when we looked at the previous experience with it, we couldn't find a risk that was that big and that would require that much prudence.

Mr. Raj Grewal: What assumption? Are you saying that...?

The Chair: I'm sorry, Raj.

Mr. Albas.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): Thank you, Mr. Chair, and thank you to all our witnesses for the work you do for all of us as parliamentarians as well as for Canadians.

I'd like to base most of my comments, Mr. Chair, on the "Fiscal Sustainability Report 2015". I would imagine you'll be doing an update of it at some point.

I'd like to talk about some of the assumptions in modelling behind this report. First of all, there was a conscious decision to treat all subnational debt as a uniform number. It seems that you've added all the different provinces' and territories' debt and just taken it as a whole. Was that for simplicity of modelling, or was it for some other reason?

Mr. Chris Matier: That was really due to the data constraints. The statistical framework we're working in was developed at the IMF. It's called the government finance statistics framework. Currently, Statistics Canada doesn't provide the disaggregated or the provincial estimates for those debt stocks.

Mr. Dan Albas: Have you met with Statistics Canada to relay your concerns in regard to this? Many of my questions probably cannot be answered if you don't have that information broken up.

Mr. Chris Matier: We are in discussion with Statistics Canada regarding some of the recent changes to the subnational government debt. Unfortunately, this is just at the aggregate level.

I think the point you raised about looking at the province-by-province angle is critical. I think it is necessary to do it in a very systematic and consistent way with the other sectors in the government universe. Unfortunately, with some of the limitations of data and of capacity, at least on our side, we don't have the capacity to do it.

Mr. Dan Albas: I think you have to be able to put forward a report, but if you look at what's happening in Newfoundland and Labrador right now, with an ongoing filibuster and what they say is a crisis in their ability to pay their bills compared with other provinces' ability, such as that of my province of British Columbia, which has balanced its books, to have better data like that.... I really hope government members take advantage of their opportunity to talk to the Minister of Finance or to the Minister of Industry regarding this.

Moving forward on that report, it talks about “in about 35 years”, based on last July. In 35 years we will see a divergence between the federal government's debt load and the provincial debt load. Could you explain that, briefly?

• (1155)

Mr. Chris Matier: This divergence in our 2015 report was driven by the settings of current policy both at the federal and subnational levels. Much of the pressure from population aging is limited at the federal level to its elderly benefits, whereas at the provincial level there's a broader impact from population aging on, let's say, health care spending, which is a significantly larger share of the economy than elderly benefits. Population aging combined with what we call excess cost growth—the growth in health spending that we can't explain by fundamental drivers, such as economic growth, population aging, or inflation—are the two factors contributing to the pressures on subnational governments.

Mr. Dan Albas: We might just have to wait for your newest report. I don't want to talk too short term, although Mr. MacKinnon did mention cherry-picking. In my area of the Okanagan, cherry-picking is actually a very worthy industry.

Getting back to this here, obviously if you can't break out the debt levels by subnational categories, it must be just as difficult to break out demographics.

Mr. Chris Matier: Actually, the demographics are somewhat easier, because Statistics Canada does produce long-term demographic projections by province and territory. It is clear from those that the demographic transition of population aging varies quite a lot across Canada, across the provinces. Typically, the eastern and Atlantic provinces are facing a much more rapid transition on that front. In the central and western areas, it is somewhat slower.

There is some subnational fiscal data that is broken out by province, but not in terms of assets and debt.

The Vice-Chair (Mr. Guy Caron): Sorry, Mr. Albas. That is all the time you had for this round.

I will now move to Ms. O'Connell, for five minutes.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Thank you, Mr. Chair.

Thank you, all, for coming.

In the models or the analysis in regard to disposable income, you mentioned that for things like mortgage payments, interest on that is not calculated within that. That would be additional. What about something like property taxes? Is that a factor in your calculations for the disposable income?

Mr. Chris Matier: My recollection is that property taxes aren't included.

Ms. Jennifer O'Connell: Why not?

Mr. Chris Matier: Other...government transfers are. Old age security payments or EI benefit payments, let's say, would be part of that income, and then the taxes that come out of it, but not property taxes.

Ms. Jennifer O'Connell: The reason I ask that, Mr. Chair, is that... I recognize the job you have to do in terms of looking at each piece of legislation, but when you look at it as a whole—especially

in my community, the GTA, where we have quite high property taxes—any investment in infrastructure.... Just a stabling of property tax increase would provide a lot more disposable income. I don't suspect property taxes will be frozen, but any stabling of that would result in a lot of money for people with homes or even for those who rent, for example, in communities like mine.

As I said, while I appreciate that you have to look at each thing individually, there are significant impacts on that. For example, in my municipality, in Pickering, about \$400,000 in city spending represents about a 1% tax increase—in Uxbridge it is even less. So \$400,000.... We can't pave a driveway for less than that sometimes. That makes a significant impact on the disposable income piece of the modelling. I will just make that point, in terms of the overall... larger picture.

In terms of the small business analysis and calculations, preferential tax rates are not the only factor for small businesses to invest and grow. Is that correct? How do you look at the modelling of it?

• (1200)

Mr. Tim Scholz: Our model is a macro model. We don't differentiate between large and small.

There are a number of important variables that affect investment. One of them is the interest rate you can borrow at, as well as the cost of investment goods and capital goods, depreciation and taxes.

Ms. Jennifer O'Connell: What about the ability or expansion of customer base?

Mr. Chris Matier: Through demand....

Mr. Tim Scholz: Demand, yes, absolutely.... That is very important.

Ms. Jennifer O'Connell: Somewhat leading back to my earlier comments that if people have more disposable income, more ability to spend, whether it is a small or large business, that is an impact in the model, in terms of businesses being able to invest, grow, etc.

In regard to Bill C-241—and I apologize if I am jumping all over—the cost estimates and the modelling.... When you came up with the cost of the increase of the rebate percentage, how did you model in terms of...? Did you find there would be an increase in the usage of this rebate?

Mr. Mostafa Askari: It's a very simple calculation, actually, because there is a 68% exemption without this right now, and moving it to 100% is just closing up the amount that has already been calculated for the 68%, which is around \$400 million. The additional cost would be around \$190 million.

Ms. Jennifer O'Connell: You didn't calculate that there would be an uptake in this rebate, for example. It's simply from one percentage to the next.

Mr. Mostafa Askari: Exactly.

Ms. Jennifer O'Connell: Then that would mean you also didn't take into account the possibility that school boards—again, I can't speak for all provinces, but certainly in my province—are making more and more cuts. I don't suspect that this rebate would be a reason to purchase something, but if they are tightening budgets overall, it could have an influence. I recognize you can only look at the modelling based on the percentages, but you don't take into account trends within the spending of school boards.

Mr. Mostafa Askari: No, we don't.

Ms. Jennifer O'Connell: Am I done?

Okay, thank you.

[*Translation*]

The Vice-Chair (Mr. Guy Caron): Coincidentally, it is my turn to ask questions and I have three minutes. Someone will be keeping track of the time for me.

Hon. Lisa Raitt: Yes.

The Vice-Chair (Mr. Guy Caron): Mr. Fréchette, I would like to go back to the questions I asked about transparency, and to your role and responsibilities.

At the moment, you are quite busy. Actually, you have been ever since your organization was created. Two commitments were made during the election campaign, that the Parliamentary Budget Officer should be independent and that the office should be well financed. Have there been any discussions about that and any progress on the matter?

The objectives, in fact, are to make your office independent—by which we mean reporting to Parliament rather than to the Library of Parliament—and to make sure that it is well financed—by which we mean that you are able to adequately fulfill the responsibilities you have been given.

Mr. Jean-Denis Fréchette: There have indeed been preliminary, exploratory discussions to determine what we do, what our current mandate is and how that could be extended, especially in terms of assessing election platforms, which is quite an important mandate. That requires resources, but it also requires some discipline on the part of the political parties and the Parliamentary Budget Officer.

We were asked for an information document. We prepared it and gave it to the government. The example we used was of the parliamentary budget officer in Australia, the only PBO with a legislative mandate to assess election platforms. The PBO in the Netherlands does it, but has no legislative mandate.

In a word, there have been preliminary discussions and we have provided some information, but there have been no negotiations as such or any dialogue along those lines.

The Vice-Chair (Mr. Guy Caron): In terms of the independence of your office, have there been any discussions about having amended the act that created the Office of the Parliamentary Budget Officer so that it would henceforth report to Parliament rather than to the Library of Parliament?

Mr. Jean-Denis Fréchette: The three topics that were election promises have been discussed. In presenting the possible scenarios, we did not provide legislative terms, we provided a form of wording for them. Within the Library of Parliament, the PBO is independent, but not in the way that is understood in the act.

What does independence imply? Does the Parliamentary Budget Officer become an officer of Parliament like the others, like those referred to as senior officials of Parliament? We have discussed those matters and proposed various models.

● (1205)

The Vice-Chair (Mr. Guy Caron): You used the Australian system as an example.

Do we have to base ourselves on the experience of countries following the British parliamentary tradition or can we look to the experience of other countries?

Mr. Jean-Denis Fréchette: I also gave the example of the Netherlands; they do not have a legislative mandate, but they began to work in that way in 1986. However, I would say that it is not the best example, given that they have a parliamentary system that is quite different from ours.

In a country with 10 political parties, it is a little easier to come up with calculations, because everyone wants to do it. Only Australia has the legislative mandate to do so. By the way, it is interesting to note that they are presently in an election campaign and that the act is changed so that they have to report after the elections.

The Vice-Chair (Mr. Guy Caron): Thank you very much.

My time for questions is up.

So we now go back to the top of the list. I suggest allowing five minutes only for each speaker in order to give all members the opportunity to speak.

So, Mr. Sorbara, you have the floor for five minutes.

Mr. Francesco Sorbara: Thank you, Mr. Chair.

[*English*]

I'm following up on Bill C-2, and the report that was issued on May 17, 2016, by the PBO.

I'm looking at the tax cut for the taxpayers in the second bracket. I want to ask about the efficacy of this tax cut versus cutting the first bracket. My understanding is that many of the individuals in that first tax bracket, because of credits and because of the way the tax system works, don't at the end of the year have taxes owing to the government.

Cutting the second tax bracket is a good thing because the benefits do flow. There are a large number of Canadians, around nine million Canadians, who are now benefiting because of a higher income level. As they go into the second tax bracket, they lose a lot of those benefits or credits that are made available to the individuals in that first tax bracket.

Mr. Mostafa Askari: I wasn't sure exactly what the question was, but what we did in that case was we looked at the overall impact of the two tax changes the government proposed. The additional work was on reusing the tax rate for the first bracket. We looked at that because everyone will benefit from the changing of that tax.

It is a wider group of Canadians who can benefit from a reduction in the rate in the first bracket. The second bracket benefits everybody who has taxable income of \$45,000 and above.

Mr. Francesco Sorbara: It is a fact that two-thirds of filers in that first tax bracket at the end of year, because of the way the tax system works with the credits, won't have any taxes owing at the end of the year.

Mr. Mostafa Askari: That's correct.

Mr. Francesco Sorbara: Thank you.

I have a second comment.

My understanding is the size of the Canadian economy is about \$2 trillion. The changes or the impact from the federal revenue, from the study on May 10, 2016, on small businesses, is about a \$300-million impact on revenues.

Mr. Mostafa Askari: Yes, that's correct.

Mr. Francesco Sorbara: It's very small.

Mr. Mostafa Askari: Sorry, that \$300 million is in GDP.

Mr. Francesco Sorbara: Yes, GDP.

The multiplier effect from investing in infrastructure, from my understanding, is about a \$1.50 for every \$1 that is invested.

Mr. Mostafa Askari: That's the estimate from the Department of Finance. The multiplier is 1.2.

Mr. Francesco Sorbara: Okay, 1.2.

Knowing the economics field quite well, my understanding is that multipliers vary with different institutions significantly sometimes.

Looking at this study, I would say the multiplier from investing in infrastructure, rather than proceeding with a lowering of the tax rate for small businesses, is much larger in terms of investing in infrastructure on the overall impact on the economy.

• (1210)

Mr. Mostafa Askari: That's correct.

Mr. Francesco Sorbara: Ms. Raitt raised this issue as well. The Bank of Canada's financial system review was released this morning, on the vulnerabilities or household imbalances. This is something the government has monitored over the years.

I have always been one who has argued that the ratio we look at is the debt ratio rather than the income ratio or interest expense ratio, if you wanted to define it in those terms. If Canadians are working, then they're able to pay their debts off. If Canadians are not working, then it doesn't matter what your interest ratio is because you have no

cash flow to pay your debt. That's why it's so important for me, as more of a statement, that we keep this economy moving forward through our infrastructure plan. We need to keep Canadians working.

That's why I was alluding to the impact of the multipliers for infrastructure.

I would like to get a general comment about what the PBO has looked at in terms of the household imbalances in relation to where we are in the economy right now.

Mr. Mostafa Askari: Sorry, household imbalances in what sense?

Mr. Francesco Sorbara: In relation to where we are in the economic cycle.

Mr. Chris Matier: In our earlier report, we looked at the debt servicing ratio that households are paying off, in servicing their debt both by making interest payments and by paying back mortgages—repayments. We've noticed that this ratio has been elevated and relatively stable over the last few years, but this was in the context of very low interest rates at the same time, and also a sort of lacklustre economic performance.

Looking ahead, obviously we think that interest rates will gradually increase over the medium term, and the economy is projected to improve. Together, we think households should be able to manage this, but again, this analysis was done at a very macro aggregated level. I think that looking at the analysis the bank has put out in their FSR is helpful in order to see which households and which income ranges or regions are more vulnerable than others.

The Chair: Thank you, Mr. Sorbara.

We do have a number of names on the list. I'd like to go to committee business, if we could, either at 1:30 p.m. or before, so we'll go to Ms. Raitt and then Mr. Caron, and then if anybody across the room has one or two pertinent questions they want to put, we'll go to them.

Ms. Raitt.

Hon. Lisa Raitt: Thank you very much, Mr. Chair.

Thank you very much, Mr. Fréchette, for talking to my colleague Mr. Caron about the independence of the PBO. I have a great interest in it. I know that one of the things being looked at was how to extract you from the Library of Parliament so that you could be set up on your own. I hope we hear more about that.

On that topic of impartiality, obviously, there are concerns with respect to making sure you retain your independence, but your mandate is pretty clear, I would submit. If a member of Parliament or a senator asks you a question, there's very little room for you to say no, to say that you won't study the matter, so long as it does apply to a financial cost of any proposal for matters over which Parliament has jurisdiction. It's a pretty broad mandate.

Would you comment on whether or not you're actually allowed to tell members that you won't study a matter if that test is met? Also, has that ever happened before, and has the parliamentarian appealed?

Mr. Jean-Denis Fréchette: I don't know if there's an appeal. It's a matter of negotiation. We—

Hon. Lisa Raitt: I think it's a breach of personal privilege of a member, as I read the Parliament of Canada Act, so I would like very much to have an answer to the question.

Mr. Jean-Denis Fréchette: The question is, as you said.... You've quoted the act exactly, so it is what it is. On the negotiations, we don't often say no, but we will say, for example, "Listen, for this project we are overwhelmed right now; we're swamped with other requests; we follow the order of priorities, and therefore we have to postpone." Sometimes the member herself or himself will say that he or she doesn't need it and we'll refer it to the Library of Parliament research service. That has happened.

Right now what is happening is that, more than before, we're really facing a very high flow of requests, probably because this government has said that they will cost everything in all the legislation, so of course we're going to be facing this situation where we won't have.... We already don't have all the resources to do all these projects in a timely fashion.

• (1215)

Hon. Lisa Raitt: I know you haven't read it, but I would be very interested to know if the PBO has intentions to take a look at the FSR from the Bank of Canada and comment on it.

Mr. Mostafa Askari: We normally do not actually make comments on Bank of Canada reports. They have done their reports and they're out there. If there is anything that is related to the work that we do, then obviously we take that into account, but we do not necessarily go out and release a report commenting on the Bank of Canada.

Hon. Lisa Raitt: Yes. It just seems to me.... Given that both you and the Bank of Canada have identified high household indebtedness as a risk that we're facing in this country, and given that the Bank of Canada says today that the biggest threat to the financial system—because it's their financial system review—is that homeowners could run into trouble in the event of a severe recession, or a sharp increase in unemployment, it seems that both entities, from different points of view, are telling us that high levels of debt are bad in this country when it comes to Canadian households, and that there is a significant risk.

Mr. Mostafa Askari: Certainly, that's an issue. As Chris mentioned earlier, they look at the households in detail, at the micro level, and that's their conclusion. What we have looked at has been at more of an aggregate level, but for a similar conclusion.

Hon. Lisa Raitt: Thank you very much.

I appreciate your time today.

The Chair: Thank you very much, Ms. Raitt.

Mr. Caron.

[*Translation*]

The Vice-Chair (Mr. Guy Caron): Thank you very much, Mr. Chair.

I would like to continue along the same lines, given that the matter interests me greatly.

Mr. Fréchette, how many employees do you have at the moment?

Mr. Jean-Denis Fréchette: We have 16 analysts and two administrative assistants.

Mr. Guy Caron: These are the people who have to do all the work you are asked to do. That includes government bills and any analysis that you consider appropriate to do when submitted by members of Parliament, no matter what party they represent. Eventually, you may have to take on a new responsibility, that of analyzing all the financial programs of political parties during elections.

I just did some quick research on the Congressional Budget Office in the United States. They have 250 economists and various other employees.

I have a harder question for you but I am going to ask it anyway. What should be the ideal staff make-up of the Parliamentary Budget Office in order for it to be able to fulfill its present and potential responsibilities?

Mr. Jean-Denis Fréchette: That is an excellent question. It is part of our exploratory discussions.

Let me give you an example. When considering an independent organization like the Parliamentary Budget Office, the International Monetary Fund says that, in a Parliament of the size of Canada's, just to analyze expenses, you need 20 or so people. That does not even include the complete financial and economic analysis of government activities. The IMF identified the analysis of expenses as one of the areas where the need is greater. That is very resource-intensive.

As for election platforms, Ms. Raitt raised an interesting question. At the moment, it is our duty to answer the questions that parliamentarians ask. However, you can imagine what receiving questions during an election campaign means for us. Clearly, we need a change in the act because, technically, when the election writ is dropped, we can no longer do anything.

Given that the PBO in Australia has to do it very quickly—they do not have election campaigns that last 11 weeks each time – their staff, normally about 30 people, doubles. They go and look for people in government departments to help with the work that has to be done over an extremely short period.

Mr. Guy Caron: Could you give us an example? I am not asking you to give me the name of a member of Parliament who may have submitted a request, but rather of the studies that you have been asked for and that you have had to turn down because of a lack of resources.

It is a confidential matter because, when the request is made to you, you do not publish the name of the member. You only do so at the end. However, you said that you sometimes have refused to do some studies.

• (1220)

Mr. Jean-Denis Fréchette: We might refuse to do some studies because they are not part of our mandate. For example, we had requests that were more to do with provincial economic matters. As we do not cover provincial economic matters as such—that is not one of the federal government's activities—we therefore refused.

Have we refused because of a lack of resources when it was perhaps a legitimate question? Yes, in cases when the question dealt with amounts under \$50 million. We would refuse then because the financial impact was not significant enough.

Mr. Guy Caron: I would like to ask a hypothetical question, but it is still relevant for the committee's work, because we have done a lot of work on the KPMG file and on aggressive tax avoidance mechanisms.

With your current staff, would you be in a position to conduct a study that could include the taxes lost to Canada and the impact of aggressive tax avoidance, as well as any other possibly debatable mechanism in the tax aspects of Canadian finances?

Would you currently have sufficient staff to undertake such a study?

Mr. Jean-Denis Fréchette: We worked for three years on a request from a parliamentarian—a senator to be precise—about the tax gap. It covered all aspects of the tax gap, not just tax havens. It focused on everything that the Canada Revenue Agency does not receive and should receive as revenue. Because of a lack of data—we had discussions with the department that were not always productive—we gave up on the idea as soon as the senator dropped his question.

At the moment, we are still doing an analysis of the tax gap in terms of the GST. However, we could not conduct an analysis of KPMG, as journalists have been able to do. In fact, we could probably not conduct one with the number of people that we have at the moment without dropping other projects of a higher priority.

[English]

The Chair: Thank you, both.

Guy, you mentioned there are 250 people with the U.S. Congressional Budget Office who are at committees. I know the chair of the agriculture committee has 61 staff. You'd love that, wouldn't you?

Some hon. members: Oh, oh!

The Chair: The vice-chair has somewhere around 40 staff. It's a different system by far.

Mr. MacKinnon, you have a couple of questions.

Is there anyone else?

[Translation]

Mr. Steven MacKinnon: The CRA's Commissioner of Revenue came to meet with us after our evaluation of the KPMG affair. He told us about the agency's efforts and initiatives to better define and quantify the tax gap. If I am not mistaken, he has launched a consultation process.

Have you had access to those consultations, formally or informally? Are you aware of the process and do you approve of it?

Mr. Jean-Denis Fréchette: We have had discussions about it with the Canada Revenue Agency.

Mr. Steven MacKinnon: That's it?

Mr. Jean-Denis Fréchette: I cannot say whether we support the process or not. The CRA officials presented their methodology to us. We worked in close cooperation at one stage because a request had been received and we had encouraged the agency to work with us. The person who asked the question, a senator, encouraged the agency to work with us.

Discussions of that kind are ongoing.

Mr. Steven MacKinnon: In your view, why have we not defined the tax gap in Canada?

Mr. Jean-Denis Fréchette: That is a good question. It has been defined in Great Britain and in the United States. Why have we not done it? I do not know. I really do not have a good answer for you.

Mr. Steven MacKinnon: You do not have a theory about it?

How do you feel about it, Mr. Jacques?

Mr. Jean-Denis Fréchette: I am sure that he has one, but I do not believe he will want to share it.

Mr. Steven MacKinnon: So you approve any initiative that could lead to a little more clarity and transparency, and could assess a situation using better numbers, even though there may or may not be gaps in the approach. Some data are better than no data at all.

Mr. Jean-Denis Fréchette: It is a useful tool for parliamentarians. That is the case in Great Britain. It certainly would be in Canada.

• (1225)

Mr. Steven MacKinnon: Yes, I agree.

Thank you very much.

[English]

The Chair: Mr. Aboultaif.

Mr. Ziad Aboultaif (Edmonton Manning, CPC): Thank you, Mr. Chair.

[Inaudible—Editor] there's nothing out there other than [Inaudible—Editor] that we don't create jobs. Has the government approached you to do any analysis on how many jobs can be created from the extra spending that will be allocated in the new budget?

Mr. Mostafa Askari: The government had an estimate itself in the budget, and we did our own calculation, which was somewhat lower than what the government had estimated. Their estimate was about 100,000 and our estimate was about 60,000 jobs, extra jobs.

Mr. Ziad Aboultaif: For each job for one year, how much money would you need to invest into the economy?

Mr. Mostafa Askari: That depends on where you spend it, because each dollar, depending on where you spend it, has a different impact on the economy and the amount of activity it creates. One has to look at that and take that into account.

Mr. Ziad Aboultaif: For example, in the U.S. they gauged that \$89,000 U.S. would create one job for one year. Have we done any of that analysis here? I mean on average. We're not going on an assumption here. We are trying to properly gauge the job creation from spending so much money. If we're going to spend \$30 billion, we should create 300,000 jobs, based on those figures. Are we at the same level here?

Mr. Mostafa Askari: We haven't done the calculation to tell you what the cost of this job creation—

Mr. Ziad Aboultaif: It would be nice to know. That's something we can ask your office to submit.

Is it safe to say that what is called the contingency fund could be something to cover the negative impacts of a policy, since there is no measure whatsoever of the new policies and their impacts on the future of the economy and on the financial situation in Canada?

Mr. Mostafa Askari: As we mentioned earlier, that's just to cover the risk, the outside risk of the private sector protection. Whatever that risk is coming from remains to be seen, but that is what it is for.

Mr. Ziad Aboultaif: Could that risk be the new financial policy that this government is taking?

Mr. Mostafa Askari: Based on our calculation and estimate, the policies they have put in place will increase the level of activities and increase the number of jobs, and that would not be the case based on our own estimation.

Mr. Ziad Aboultaif: Okay, thank you.

The Chair: Thank you very much.

Is there anyone else who has one quick question they want to ask?

Okay, with that we'll thank the parliamentary budget officer and all the others with him. Thank you for doing all the work you do. Thank you for appearing before our committee today and the Senate's national finance committee last night. You will be questioned out. Thank you very much.

We'll turn to committee business. We're still in public. There are two things.

We need to decide what we're doing on the Canada Revenue Agency's efforts to combat tax avoidance and evasion. We need to make some decisions as to whether we wrap it up after Tuesday's hearing. The Library of Parliament staff believe they can put a report together. The problem will be whether it's translated in time before Parliament recesses. We could, with House approval, table it using the back-door process. That's number one.

Number two, on the pre-budget hearings in the fall, we have to develop a budget for those hearings, deal with that at Tuesday's meeting, and put that to the liaison committee for budget approval before the House recesses. We'll be doing that in the fall, and there

are some complications, I understand, as I'm told that there's no money for us to travel. We will have to go down that road.

In any event, with the CRA efforts to combat tax avoidance and evasion first, maybe we could get agreement. We have already asked to appear on Tuesday, in a one-hour session, Alain Deneault, as an individual, and Michael Hamersley, who would be by video conference from California. We need agreement if we still want to bring those witnesses forward. We're agreed on that.

The question is, generally in this study where do you want to go?

Mr. MacKinnon and then Mr. Caron.

• (1230)

[Translation]

Mr. Steven MacKinnon: We have had five or six sessions on this subject to date. I would like us to be able to finish the study. The *sub judice* rule has been brought up recently. I think it is important for this committee to face up to its responsibility. I know that some would like us to act in a way that I would consider irresponsible, but if the committee is going to assume its responsibilities, it would be good to finish our study and table our report in Parliament during our work this spring or summer, by whatever means you choose, Mr. Chair. We could resume our work in the fall by looking at the pre-budget process.

[English]

The Chair: Mr. Caron.

[Translation]

Mr. Guy Caron: I do not think it is a problem to prepare a document to be tabled in the House. I see no urgency to submit a report before we finish our work at the end of June. I prefer the work to be done well. After all, we had four or five meetings, which were relatively complex. I would like to be able to give the analysts the time to do a proper job and provide a good translation before the report is tabled at the beginning of the fall. There is no urgency. We do not have to produce anything earlier.

In any event, I would like committee members to remain open to the possibility of more meetings on this topic, particularly if there are new developments during the summer.

The *sub judice* rule is not something that should tie our hands. We must be prudent because that convention requires the committee to take care not to compromise cases before the courts.

At the moment, two cases are before the courts. One of those two cases deals with the income tax rules, that is, whether the mechanism developed by KPMG was legal or legitimate. Another case involves the government, the minister or the CRA, who are asking KPMG to provide the names of the clients who took advantage of the mechanism. The two cases are being considered by the Federal Court of Canada.

We are in an interesting situation today. In fact, the executive branch is asking KPMG for information. As members of the committee, we are not part of the executive, but rather the legislative branch. Even if the Federal Court came down on the side of the federal government, the executive branch, there is no rule by which we, as representatives of the legislative branch, would have access to the names of those people in order to continue our study. So I think that that raises interesting legal and parliamentary questions.

Before concluding that the *sub judice* rule is going to limit what we can do, I believe that we should take the time to sit down with the clerk and legal counsel to discuss this matter. It would be extremely easy to limit our study, or any other study, by invoking that convention. It would simply be a matter of filing a lawsuit and Parliament and its committees would be afraid to address the issue. It would become a very interesting way to tie the hands of working parliamentarians.

Before coming to the conclusion that we should stop our meetings for that reason, we could explore what it really means and how we could proceed without compromising the legal process. I personally have begun meeting with some legal experts about it. I believe that we should continue to do so.

[English]

The Chair: Ms. O'Connell.

Ms. Jennifer O'Connell: Mr. Chair, I agree. I don't think we necessarily have to be in a rush to have it before the summer recess. I'd like to see a quality report produced. I think it would be beneficial to the minister and her mandate letter in terms of working on these issues. I think we've heard a lot of really good testimony on tax evasion and on what measures the government could take to avoid this.

It's not exclusive to KPMG or the situation that's going on. Perhaps that may have been a catalyst or a recent news story, but I think we've heard a lot of testimony, and we could make recommendations. Even based on the minister's testimony, I think there is a willingness for this information, for making CRA more adaptive to controlling aggressive tax avoidance and evasion.

I agree that we don't necessarily have to rush this. I'd like to put forward quality recommendations based on what we've heard. I'm also of the opinion.... I haven't spoken to my colleagues, so I don't want to drag this out in the sense of taking away from pre-budget consultations, but I do think we should put forward a quality report that is not exclusive to and as a reaction to KPMG but is on tax avoidance and tax evasion in general. That would be my hope and my goal for this report and the work we've done.

I do agree that we should be careful. I wouldn't want to impact the court hearings or the process, because in fact, I want that process to unfold. I want these things to be resolved in the best interests of Canadians, but I don't think that prejudices our ability to make recommendations on how the minister can improve things at CRA.

• (1235)

The Chair: Francesco, go ahead.

Mr. Francesco Sorbara: This is in regard to Mr. Caron's comments.

[Translation]

I agree with what he said.

[English]

I agree with what he had to say, even with getting some legal opinions in terms of what we can and can't do.

I want to echo my colleague's comments about producing a quality report. If we need to wait and move it to the fall, we move it to the fall. If we can do it before, great, and I'm open to that, but we need to make sure that Canadians have confidence in our tax system, that tax avoidance or tax evasion measures undertaken in the past aren't repeated, and that we continue to monitor the issue very closely.

The Chair: Okay. Let me run this by the committee. We'll basically conclude our hearings on this topic on Tuesday. The Library of Parliament can work on the report. We'll have a meeting to work on recommendations as well. The report probably will be tabled in the fall, I would expect, given the scenario, but it would be prepared, although maybe not completely translated, which might require one final meeting in the fall or something like that. Then it basically would be off our plate.

To your point, Guy, if something develops on this issue over the summer, we can always institute a new study along the same lines, I guess, if we have to, but it would be nice to clear the deck, so to speak, and start afresh in the fall.

On your point on *sub judice*, I think you do have a point. If we're scared of *sub judice*, it can affect the ability of Parliament to do its job. We don't want to jeopardize or prejudice court cases, that's for sure. We have to be careful in that regard, but what is the line ye shall not cross? I've heard legal opinions both ways. The last thing we want to do is prejudice a court case. That's worthy of us getting an opinion on it at some point, I would think.

Hon. Lisa Raitt: We could always choose not to answer, Mr. Chair, and then go through a different process. It's up to them.

The Chair: Yes, that's true, but....

Hon. Lisa Raitt: That's their choice, not ours.

The Chair: Yes.

Are we okay on that one? Okay. Then that's the way we'll try to proceed. We'll ask the library to start work on the report, and at the next meeting we'll talk about some of the recommendations after our first hour on Tuesday.

Go ahead, Guy.

[*Translation*]

Mr. Guy Caron: Ideally, the meeting with the two witnesses would take place on Tuesday. I would like to point out that we have nothing planned for next Thursday. Is that correct, Mr. Chair?

[*English*]

The Chair: They have been invited for one hour on Tuesday.

Mr. Guy Caron: Do we have anything on Thursday? There's nothing on the schedule so far.

● (1240)

The Chair: There's nothing on the schedule for Thursday as yet.

On the pre-budget consultations, I've said earlier that the word... I am a member of the liaison committee. In terms of the discussions we've had with the whip, there has been some big spending by some committees already, substantial spending; I guess I had better not use the word "big". We have to look at the budget we're on and at getting through until March 31. You also have to keep in reserve in that budget enough money for committees to do their work, even if it's just here, in terms of witnesses, meals, etc.

The view is that... The difficulty, I think, for this committee is that we're legislated to do pre-budget hearings. We're not obligated to travel, and I know that, but I think we all felt that it would be useful for us to travel at least this year. In any event, unless some money appears from somewhere by fall, that option is limited, if not out the window.

In any event, what do we do? Suzie has put together a kind of a schedule on travel. Her options, I think, would be these: that we do all our hearings in Ottawa, which is the way it was done for the last two or three years; that we travel along the lines we had originally conceived that we might do; or, we hold a video conference with each city that we would have travelled to on a set day. Those would be the kinds of options I see. What are your thoughts on that?

Ms. Raitt.

Hon. Lisa Raitt: Mr. Chair, on one side, I understand fiscal prudence, and that makes sense. It is unfortunate that we're placed in a situation, since we do have the mandate, as you rightly pointed out. I would also point out that the Parliamentary Secretary to the Minister of Finance and the Minister of Finance, for every single question I ask in the House of Commons, base their whole argument on why their budget is good for Canada on the premise that they travelled from coast to coast to coast in unprecedented consultations.

We will not have the ability to do that as a committee of the House of Commons with a specific mandate to do pre-budget consultations. I would lodge my complaint that this has happened, and I would respectfully request this be communicated back through the members of Parliament here who have more connections with the Government of Canada than I do.

It does seem to be a difficulty for us to be able to forcefully indicate that we are hearing the will of Canadians if we don't have the ability to visit those Canadians where they live, and given that is exactly why the legitimacy of the budget has been claimed by the minister. He travelled. The parliamentary secretary travelled. Therefore, their budget is legitimate because they listened to Canadians. Yet our ability to travel is being curtailed.

That's my point of view on it, and I'm happy to hear what other members have to say.

The Chair: I doubt if you're going to get any disagreement.

Phil.

Mr. Phil McColeman: I underscore exactly what my colleague said, but I think what needs to be communicated equally is... I feel that this committee, as one of the most important committees arguably on Parliament Hill, if not the most important committee on Parliament Hill, is being denied travel because of other priorities and mismanagement of the resources available. The mandate of this committee is to go out and do this, but the reason we're not getting this money, as has just been explained by the chair, is that it's been spent by other committees. That is absolute total nonsense. I'd like that communicated to whoever is managing the funds on the government's behalf.

● (1245)

The Chair: On that, there has been a huge demand from committees to travel, as we are a new Parliament. I don't think there's any question about that.

Where I would like to go—and I'll come to you, Raj—is that in our budget request, at least to the liaison committee and knowing what we're up against, we should put up two or three scenarios. There's one, with where the money is at right now, and there's two, if more money would be added by the fall. I don't know that. We need two or three scenarios from which to work and go to the liaison committee.

Raj.

Mr. Raj Grewal: I will let the clerk and the analyst confirm this, but I don't think the finance committee travelled in the last four years.

The Chair: No, it didn't. In 2011 was the last time.

Mr. Raj Grewal: That was the last time it travelled.

Given modern technology, I think there are a lot of ways to connect with Canadians across the country from coast to coast to coast to ensure we get adequate pre-budget consultations. I think we can all agree that in 2016 and going into 2017, we should be able to do this. If that requires us sitting longer, I think we did a great job this year given the time crunch. I think we're all prepared to do that going into the next pre-budget consultations.

It's unfortunate, but I don't think it's the end of the day, and I don't think it will have an impact on how big the budget will be.

The Chair: Mr. Caron.

Hon. Lisa Raitt: [*Inaudible—Editor*]

Mr. Guy Caron: I hear what Ms. Raitt says. It is a strong argument.

Let's remember that during the election.... I am thinking of the TPP study. There has been a promise to consult widely with Canadians on the TPP. That is being done through the international trade committee. There has been a promise to consult. The government is saying it consulted widely on the budget, which has been done through the budget of the Department of Finance. We are not given the opportunity to consult on something that we should have seen, because it is done every year.

I do have some problems. If the government has said it will be open and transparent and will actually hold consultations, it should be funding the ability of committees to do that. In that case, if consulting with Canadians is done by the government, which is legitimate, then it should be done with department and government funds, not with committee funds. In that sense, either the TPP study, through the international trade committee, should have been done the same way that we are being asked right now, which is with video conference, or the minister and staff could have gone on the DFAIT budget. That would have been another possibility. Now we are stuck because it is by first come, first served that we are using the committee funds.

I find it hard to believe. I would like to have some answers as to whether we can have more money in the committee budget, in general, and also some kind of priority set among committees on how this money would be used. This issue came to me today, so I am not necessarily prepared to have my whole argument, but it would be legitimate to start seeing what the priorities are in terms of how this general budget for committees is being spent.

The Chair: It just came to me today, too, Guy.

On Guy's point, if I could, there is a travel budget, which has been allocated by the Board of Internal Economy. I don't disagree with your point at all. This committee is legislated to do pre-budget hearings. The committee hasn't travelled in four years. I agree with Raj. There are ways of doing it without travel, but I also know, as one who has appeared before committees, that there is something for the benefit of the committee to be in the regions, and for the benefit of the regions to do their presentations in their own territory. I think this committee finds itself in a somewhat different position. It probably wouldn't hurt if each of you talked to your whips as well and said that this committee has a mandate that is legislated, and at least in the initial year it would be sensible to travel. In the next two you might not have to, or if you don't this year, maybe you do next year.

Mr. MacKinnon.

• (1250)

Mr. Steven MacKinnon: Those are my sentiments exactly, and perhaps an all too rare moment of harmony on the committee. I do agree with my colleague Mr. Grewal that we should continuously explore ways to hear from Canadians by way of innovative means, technological or other, but given the fact that there have not been extensive pre-budget consultations by this committee—and by “extensive” I mean outside of Ottawa—since 2011, I think it is well past due for this committee to do it. You underscored the legislative mandate of this committee.

I am quite sympathetic to Ms. Raitt's argument that it would be frustrating—as we on this side probably heard for a great many years

—to have ministers or parliamentary secretaries say that this is a result of a consultation that they weren't exposed to. I would add my voice to those of my colleagues in saying that it would be well-nigh inexcusable for this committee not to have the opportunity to hear from Canadians on the budget, especially given the accelerated nature of our consultations last year.

With that, Mr. Chair, I would add my voice to those of Mr. Grewal and my friends across, and wish you the best.

The Chair: We will do up a budget on full travel. We will do up a budget on video conference travel, because we will have to, and see where we end up. The cities we have listed are Vancouver and Kelowna. Does the committee have any options on those? Who was it I was talking to who said that Kelowna would be good?

Hon. Lisa Raitt: Everybody has a representative in the area, and it's not often visited. It's internal, and it's less expensive.

The Chair: Kelowna?

Mr. Steven MacKinnon: It's not as expensive to stay there—

An hon. member: [*Inaudible—Editor*]

The Chair: Okay. We'll not get into that at the moment.

Calgary or Edmonton?

An hon. member: Or Red Deer.

The Chair: In Red Deer, you're quite a distance out of both. It's halfway. It's difficult, Red Deer.... Ron mentioned Red Deer. Then I was talking to him later, and he said he thought it would probably—

Hon. Lisa Raitt: I talked him out of it, because he can go Calgary-Kelowna, which is a good connection.

Mr. Steven MacKinnon: Yes, Ron was talked out of Red Deer, as I recall.

The Chair: By Ms. Raitt, a persuasive woman.

Calgary or Edmonton, then, which one?

Hon. Lisa Raitt: Calgary.

Mr. Guy Caron: Edmonton.

Some hon. members: Oh, oh!

The Chair: Guy.

Mr. Guy Caron: I like one of the criterion that Ms. Raitt submitted, which is that all parties be represented in the area, like in Kelowna, and that would be Edmonton.

The Chair: Okay. Let's go with Edmonton.

Hon. Lisa Raitt: Yes, fair ball.

Mr. Steven MacKinnon: What are you going to do in Toronto?

Hon. Lisa Raitt: You're all coming to my house for dinner.

The Chair: Saskatoon or Regina?

An hon. member: Regina [*Inaudible—Editor*]

Mr. Guy Caron: Actually, both are fine.

Mr. Steven MacKinnon: I do think that, on balance, access to provincial government officials would be preferable.

The Chair: Okay.

On Winnipeg, okay? There isn't much choice. There are Winnipeg and Brandon, but Brandon is too hard to get into. I've done that a few times.

St. John's, Newfoundland?

Hon. Lisa Raitt: Will the filibuster be over by then?

The Chair: I expect so.

Some hon. members: Oh, oh!

Hon. Lisa Raitt: That's for all the Newfoundlanders in the House.

The Chair: Fredericton or Moncton?

Mr. Steven MacKinnon: Are you thinking of all four of the Atlantic provinces?

The Chair: Yes.

Mr. Steven MacKinnon: Then I'd say Fredericton.

The Chair: Okay, Fredericton, Charlottetown, Halifax—

Hon. Lisa Raitt: I'm not going to say [*Inaudible—Editor*]

The Chair: Keep in mind that we are in public.

Mr. Guy Caron: Is it one [*Inaudible—Editor*] for each of the maritime provinces? Okay.

•(1255)

The Chair: Well, the complaint I've heard for years and years is that when the finance committee does its work, it only does Halifax. I know there is the other side, in that do you get enough witnesses if you go to only one of the four...? But at some point in time, you at least should.

Then we have Ontario and Quebec left. You can do two locations in Ontario and two in Quebec.

Guy.

Mr. Guy Caron: Let me go back to the Atlantic provinces. For the maritime provinces, we're talking about Fredericton for New Brunswick, Halifax for Nova Scotia, and what for P.E.I.?

The Chair: Charlottetown.

Mr. Guy Caron: We have one in each. In that case, I understand Fredericton, but I will make a pitch for maybe having it in northern New Brunswick, because that region is fairly far from Fredericton, still, especially if we're talking about Acadie—Bathurst and that area. Instead of having it in Fredericton, I would submit having it a bit more north. It could be in Edmundston, Bathurst, or Campbellton. I'm submitting it as an alternative to just having it in all the provincial capitals.

Hon. Lisa Raitt: What about Edmundston?

Mr. Guy Caron: Sure. Edmundston is fairly large. Or Campbellton or Bathurst or—

Hon. Lisa Raitt: You know the area.

Mr. Steven MacKinnon: I worked for 20 years in New Brunswick, and I think Fredericton is where people who comment

on public affairs and have points of view about public policy are quite used to going.

The Chair: Okay. Let's stick.... We'll talk to some people in New Brunswick.

Mr. Steven MacKinnon: [*Inaudible—Editor*] legislative committees hold their hearings.

Mr. Guy Caron: I understand that. That's actually an argument for having it in the provincial capitals, and we're not.... One of the arguments we've had in previous meetings is about trying to have it in places where we don't usually have it, to open up the possibilities. If we want to revisit that and basically go back to what we used to do, that's the choice of the committee, but I'm trying to open it up to the possibility of trying to do things a bit differently.

The Chair: Then the other problem.... It may be a moot point, but anyway....

In Quebec and Ontario, before we get to that.... This is brainstorming, I guess, but for the theme of our hearings in the note we put out, which we're actually getting some positive feedback on, we're doing a theme along economic growth.

I actually think that if we don't travel, it kind of hurts us towards that theme, but in any event, would this idea be useful? There are a lot of regional development agencies across Canada. There is WED, FedNor, and P.E.I. ACOA and New Brunswick ACOA, etc. Would it be useful to ask the senior representative of each of those provincial regional development agencies to come before us and explain what they're doing for growth over the next 10 years?

Hon. Lisa Raitt: Absolutely. Great idea.

The Chair: Okay, we'll go there.

In Ontario and Quebec, for Quebec, Guy, what are your thoughts?

Mr. Guy Caron: It depends on what we want to do. The natural locations, if we're having two meetings, would be in Montreal and Quebec City. Do we want to do anything for northern Quebec, or do we want to do anything for eastern Quebec, which is still going to be pretty far?

The Chair: I think, given the sizes of those two provinces, we probably should look at.... We have Ottawa, for sure, but should we do two locations in each?

Mr. Guy Caron: Well, if we have two in British Columbia—

The Chair: Even if we had to do each region by video conference at the end of the day, we could still do two.

Mr. Guy Caron: Yes. I'd submit that two would be warranted for British Columbia, Ontario, and Quebec, for the size and diversity that we find. I think that Vancouver and interior B.C. are two realities. I was thinking of Toronto, but instead of Toronto, maybe we could have southern Ontario and northern Ontario.

Hon. Lisa Raitt: Yes, Windsor and Thunder Bay.

Mr. Guy Caron: Yes. Quebec is naturally Montreal and Quebec City, but I'm open to alternatives to those.

The Chair: Can you give—

Mr. Steven MacKinnon: I do think Toronto is important.

Mr. Francesco Sorbara: I think we do need to be in Toronto for at least one of our sessions.

Hon. Lisa Raitt: Only if we go to an airport hotel.

The Chair: Okay, Toronto.

Ottawa is eastern Ontario. What about the Windsor area, which is the auto industry, etc.?

Mr. Phil McColeman: That's southwestern Ontario, so Windsor or London.

• (1300)

Hon. Lisa Raitt: Yes, definitely.

The Chair: Windsor or London?

Hon. Lisa Raitt: Windsor or London. Windsor we all hold. London we all hold. We all have representatives in London. We all have representatives in Windsor. Do we not have Windsor anymore?

Mr. Phil McColeman: No.

Hon. Lisa Raitt: No, we don't have Windsor.

There's Karen Vecchio.

An hon. member: There's Chatham.

The Chair: Windsor or London?

An hon. member: London.

The Chair: Okay. We can do some of these by video conference instead of travelling to them all, or what have you.

Can you give us some suggestions on Quebec, too?

Sorry, Mr. McKinnon, did you want in?

Mr. Ron McKinnon (Coquitlam—Port Coquitlam, Lib.): I'm not sure if you're looking at the north: Iqaluit, Yellowknife, and Whitehorse.

The Chair: It's a problem. It's the cost of travel. There definitely should be something done somehow, by video conference or something, to bring in the north.

Mr. Ron McKinnon: Yellowknife might be a compromise. It's fairly easy to get to.

The Chair: Okay.

Then on Quebec....

Mr. Guy Caron: Initially, for Ontario, we said Toronto and London. Are we thinking of northern Ontario? There was the suggestion of Thunder Bay.

The Chair: We're only thinking of Toronto and London at the moment.

Mr. Guy Caron: If we're thinking of FedNor, if we want to have FedNor....

The Chair: We do. We have to have FedNor.

Mr. Steven MacKinnon: They can come here, though. They're federal public servants.

The Chair: If they had to, yes. They are federal agents, so they could come here.

Mr. Guy Caron: I would still make a pitch for northern Ontario.

For Quebec, do we need to decide right now, or could I come back to you on Tuesday?

The Chair: Suzie and her folks need to put together a costing on travel, and I think we'll also look at video conferences. You guys talk to your whips and I'll talk to mine. If you could get the Quebec names to her, then we could at least do a costing to talk about at our committee on Tuesday.

[*Translation*]

Mr. Guy Caron: That is it for the moment, unless we come up with an alternative.

[*English*]

The Chair: Are there any other thoughts on pre-budget?

Sorry, Francesco.

Mr. Francesco Sorbara: I have a quick comment or a question, Mr. Chair, on the idea that the budget has been taken up already.

The Chair: It's not taken up, but with what is on deck, even before we get there, it is certainly taken up. I can guarantee that committees that come before the liaison committee, which I'm on, are going to find their budgets are going to be severely cut back.

Hon. Lisa Raitt: The electoral reform commission that is being struck, where is that being sourced out of?

The Chair: I have no idea.

Hon. Lisa Raitt: Is that out of that committee as well? Is that in the list of committees?

The Chair: No, I don't think so.

I haven't seen that one, and I've seen the list of proposals.

Hon. Lisa Raitt: If TPP is going through international trade, as Guy points out, will the electoral reform—

The Chair: No. The TPP hearings came out of the regular committee budgets.

Hon. Lisa Raitt: That's what I mean, yes. Would those hearings for electoral reform come out of the regular committee budgets?

The Chair: It's something I'll have to ask. I don't know.

Hon. Lisa Raitt: Make sure they have their own budget. That's all. If they set up a committee, make sure they have a budget, because they're travelling.

The Chair: I think that for the special committee on assisted dying, it came out of a completely different allocation than the one for committees.

Hon. Lisa Raitt: That's good to know.

The Chair: I think so. I'm pretty sure of that.

Is there anything else?

Thank you all.

The meeting is adjourned.

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