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—
Chair

The Honourable Wayne Easter

Standing Committee on Finance

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• (1620)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): I'll call the meeting to order.

Pursuant to Standing Order 108(2), we are studying the subject matter of interim estimates 2018-19: votes 1 and 5 under Canada Revenue Agency.

From CRA with us today, we have Ms. Ramcharan, the Chief Financial Officer and Assistant Commissioner; Mr. Gallivan, Assistant Commissioner, International, Large Business and Investigations Branch; and Mr. Vermaeten, Assistant Commissioner, Assessment, Benefit, and Service Branch.

Before we begin, we do know there will be 30-minute bells around 4:40 for a vote, with a vote at 5:10. Would it be okay if we go to five o'clock, and then suspend for the vote, so this group would be completed by five o'clock? Is that agreed?

Some hon. members: Agreed.

The Chair: Ms. Ramcharan.

Ms. Kami Ramcharan (Chief Financial Officer and Assistant Commissioner, Finance and Administration Branch, Canada Revenue Agency): Good afternoon, and thank you for the opportunity to appear before the committee to present the Canada Revenue Agency's interim estimates for 2018-19, and to answer any questions you may have on the associated funding.

[Translation]

As you are aware, the CRA is responsible for the administration of federal and certain provincial and territorial tax programs, as well as the delivery of a number of benefit payment programs.

Each year, the agency collects hundreds of billions of dollars of tax revenue for the governments of Canada, and distributes timely and accurate benefit payments to millions of Canadians.

[English]

In order to begin the 2018-19 fiscal year, the CRA is seeking a total of \$822 million through these interim estimates. This represents the funding required to cover expected payments that will occur in the first quarter of the fiscal year for ongoing operations. This amount would have historically been included as part of the main estimates interim supply bill.

The funding being requested as part of the interim estimates is roughly one-quarter of the voted appropriations that will be sought by the CRA through the 2018-19 main estimates. It does not reflect incremental resources for announcements made by the Minister of Finance in the February 2018 budget. The funding required for the implementation and administration of these measures is currently being evaluated by the CRA, and will be presented to Treasury Board ministers through formal submissions in the coming months.

[Translation]

The resources being requested through these estimates will allow the CRA to continue to deliver on its mandate to Canadians by making it easier for the vast majority of taxpayers who want to pay their taxes, and more difficult for the small minority who do not, as well as ensuring that Canadians have ready access to the information they need about taxes or benefits.

[English]

To give you a sense of the kinds of programs this funding supports, let me touch on some service improvements the CRA introduced last year.

At the beginning of the year, the 2017 T1 tax forms and guides were mailed directly to the homes of Canadians who filed paper returns in 2016. People no longer need to pick up guides and forms to fulfill their tax obligations at service centres, which is helpful for people with mobility problems, or who live in remote areas.

Also, in January 2018, the CRA launched an automated phone system called File My Return. This phone system helps more than 950,000 Canadians, particularly those with low incomes or fixed incomes. After identifying themselves on the phone system, the users will answer a series of short questions, and their income tax returns will be filed. For people using this system, there is no need to fill out forms, or make complicated calculations.

The CRA continues to promote another Canada-wide program called the community volunteer income tax program, and a Quebec component called the volunteer program. Through these programs, trained volunteers help people file their income tax returns and receive benefits and credits to which they're entitled. These free clinics serve people with low incomes and simple tax situations, including seniors, students, indigenous people, newcomers, and people with disabilities. These programs help ensure Canadians receive what they are entitled to, in ways that are respectful, and meet the needs of individuals, while at the same time helping people meet the obligations of the Income Tax Act.

At this time, we would be pleased to respond to any questions you may have. Thank you.

The Chair: Thank you very much.

Mr. Grewal, for a five-minute round due to the tightened time frame.

Mr. Raj Grewal (Brampton East, Lib.): Thank you to our witnesses for being here today.

I think for members of Parliament, when you're in the constituency, I would say unequivocally that the most difficult department to deal with is the CRA. Obviously, the Auditor General had some not-so-nice things to say about you guys in the last report. What is being done to ensure that customer service is of the utmost importance at the CRA?

Mr. Frank Vermaeten (Assistant Commissioner, Assessment, Benefit, and Service Branch, Canada Revenue Agency): We take customer service very strongly to heart. We're doing a range of things to try to improve those services. My colleague Kami talked about some of the things we're already doing—for example, this year the distribution of the forms, to make sure that people get the tax forms and don't have to go to Canada Post or to a bank to get those. We've introduced a whole range of services, digital services, to make it easier for people to fill out their own taxes. File my Return, as Kami mentioned, really makes it easier, particularly for low-income people, to be able to file their taxes. When they have a simple tax situation, they can do that over the telephone. I think that's a real significant improvement for some; not for everyone, but certainly for some.

We're doing a whole range of things. I think we have a very solid action plan on the phone services. I think we've seen some very strong results early in the filing season. The improvements we have put in place are really making it easier for Canadians to reach a call agent.

Those are some of the things we're doing. I'd be happy to elaborate further on any of those, or on other issues.

Mr. Raj Grewal: I don't want to bring up specific examples, but I've been a member of Parliament for the last two and a half years. Any time we've had to deal with the CRA, it's been extremely frustrating because the interpretation is so strict, to the letter of the law, even if common sense would dictate that the resource being spent fighting this doesn't make any sense.

For example, a company is behind on its HST. You guys freeze their accounts, which allows them not to pay their employees, which allows them not to conduct business. Basically, you want them to

pay, but you also won't allow them to conduct their business. Logically speaking, in good faith it would be like, "Okay, we'll pay you \$1,000 every week. Please let us continue our business so that we can make revenue, pay you, and work with the CRA to get to this balance." It seems like an overly harsh interpretation to say, "Pay the \$5,000 you owe or we're not going to unfreeze your accounts." To me, that doesn't make any sense.

I would love your insight on why there's such a strict interpretation by some of your officers at the CRA when it's small businesses that aren't overly wealthy, that are employing Canadians, and that sometimes, because of bad accounting advice or bad legal advice, fall behind on their payments. They recognize that they have to pay it, and they're looking for a payment plan.

• (1625)

Mr. Ted Gallivan (Assistant Commissioner, International, Large Business and Investigations Branch, Canada Revenue Agency): There's no doubt that collection situations can be tense. The employees have all kinds of training in terms of communication skills and soft skills, but it can be difficult for the taxpayer. Our collection approach is founded on communication and adaptability. We actively encourage payment arrangements. One of the most difficult situations for taxpayers is when there's a lack of responsiveness and a lack of communication. What can happen is that the taxpayer just doesn't respond because they don't have the money, and there's no engagement. That can be a route to getting your bank account frozen.

Then the CRA might ask for a substantiation. In other words, if we're entering into a payment arrangement, we might ask to see financial statements so that we can determine what is a reasonable rate of repayment. Again, taxpayers can be reluctant to provide that information.

I think transparency is important. To help regain Canadians' trust, the CRA is working very hard to be more transparent. Under that theme, all of our collections policies are up on the Internet. They're disclosed for taxpayers, representatives, family friends, or whoever's helping the small business. I think we have a commitment to be reasonable and to engage in payment arrangements. That's a key part of our collections approach. I think we also, more importantly, have a commitment to be transparent. All of the policies we follow are out there. If the CRA collector isn't adhering to it, well, it's there on the Internet site for you to call us on it.

Mr. Raj Grewal: Turning to my last question, obviously all Canadians across this country, from coast to coast to coast, work really hard. Whether they're business owners or entrepreneurs, or whether they work for a Fortune 500 company or a smaller one, or a manufacturing company, they all pay their fair share of tax. Our government is committed to ensuring that Canadians, no matter what their tax portfolio looks like, pay their fair share. The question of tax evasion and tax avoidance has been coming up a lot, not just in Canada but around the world. There has been significant investment, since our government came into office, in ensuring that Canadians, especially multinational corporations, are paying their fair share. How have these investments paid off in the last two and a half years?

Mr. Ted Gallivan: I'll talk quickly at three levels.

At the first level, which is people paying voluntarily in the first place, I'll look back to last fall's "Fiscal Monitor". In the November report, they showed that multinationals paid 7.5% more tax in the six months ending November 2017 than they did previously. The economy grew at 3%, so they paid 4.5% more corporate tax than the economic growth would seem to suggest. Non-residents paid roughly 20% more tax in the similar period. Strategically, I think there's some sense that the people we're targeting are getting the message, and they're starting to do the right thing.

Now, with the second level, the audit yield, what we identified through audit, there was an expectation that we'd find \$380 million in fiscal 2016-17. We found \$500 million. This fiscal year, which is going to close in a couple of weeks, we expected just over \$1.1 billion. We had hit that by the third quarter. In terms of the immediate revenue generation, we expect that to be exceeded again this fiscal year.

In terms of the right taxpayers, that's where we talk about people with offshore money. We talk about 40 criminal investigations in terms of offshore, and over 1,000 audits of individuals who had money offshore. Now, we have been talking about audits and not results yet, because those are complicated audits. We have taxpayers who are refusing to be audited. We have a number of cases before the courts where the taxpayers aren't co-operating with us. It will be a number of years for those criminal investigations to be finalized and the audits to be finalized.

I would say that at the level of strategic voluntary payment with the revenue generation we committed to and the target action on offshore, we have a track record of results.

• (1630)

The Chair: Okay, we'll leave it there.

Mr. Kelly.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Thank you.

Mr. Gallivan, I'd like to carry on with something you just mentioned.

You said that you had a target to find \$360 million through audit and you found \$560 million. Did I get that correct?

Mr. Ted Gallivan: That's correct.

Mr. Pat Kelly: Of that \$560 million in tax finding, how much has been collected?

Mr. Ted Gallivan: Of the \$500 million, we don't have an exact calculation.

What I can tell you is that last fiscal year, our collections program collected 96.7% of all funds that were outstanding, so they closed 96.7%. The reason we don't have an exact calculation is because many of these taxpayers owe us debt for multiple years on multiple accounts. They don't pay it off all at once, so you have a multiple of debts and a multiple of payments.

We are committed to providing an estimate. This is a question that's been asked in the media and by parliamentarians, and the agency is now working on an estimate. I hope that the next time we're here, or shortly thereafter, we'll be able to give you a percentage estimate of what we've collected. It's very difficult.

Mr. Pat Kelly: I look forward to that.

Clearing a file is not the same as collecting either, and that's an important distinction. Writing off a file as uncollectible or one that would likely not survive the objection process is another way to clear a file. Finding tax is one thing; collecting the actual money is something else.

Mr. Ted Gallivan: Your point is very well taken.

I will make a point with respect to litigation, though. Some of these tax professionals are very creative. Some of our work in this area is policing the acceptable limits of tax planning. Sometimes we need to litigate, and even lose, to establish that the law needs to be clarified. That's why we work very closely with the Department of Finance with respect to closing tax loopholes.

I would caution that sometimes when the CRA identifies an amount and we lose in Tax Court, it ends up leading to the right thing, which is a legislative change that closes the loophole and stops the tax leakage.

Mr. Pat Kelly: Okay.

The Chair: I'll ask to interrupt for a second. The bells are ringing, which is way earlier than expected. It's a 30-minute bell.

Do we have unanimous consent to go to 10 minutes short of voting time?

Some hon. members: Agreed.

The Chair: Okay. Go ahead, Pat.

Mr. Pat Kelly: How much time do I have left?

The Chair: You have lots of time left.

Mr. Pat Kelly: What is the general trend line on the time it takes for a notice of objection to go through the CRA appeal process for corporate tax filers and small business corporate tax filers?

Mr. Ted Gallivan: My colleague who has carriage of that file briefed recently that there's been progress since the OAG was here. The action plan that the CRA set up in the wake of the OAG audit is coming across, but I don't have the exact number to that.

Mr. Pat Kelly: I've spoken to tax preparers across Canada, and the number that seems to keep coming up is about 18 months. I'm curious as to whether that's getting better or worse and if you have the ability to determine the exact number.

On the disability tax credit—this is probably a question for Mr. Vermaeten—do you know the current length of time it takes to have a disability tax credit application assessed?

Mr. Frank Vermaeten: Currently, it takes between six and eight weeks.

Mr. Pat Kelly: There was a commitment made to review all of the DTC applications that were declined between May and, roughly, December, when the clarification letter reverted back to the earlier one from before May 2. Have all of those assessments been done? What is the backlog currently?

Mr. Frank Vermaeten: The large majority of those have been done. There's only a handful for which we're still waiting for the reply from the medical practitioner. We have undertaken that review.

Mr. Pat Kelly: How many of them were there?

Mr. Frank Vermaeten: There were a little over 2,200; I think 2,267.

Mr. Pat Kelly: Okay.

How many were reversed on re-examination?

Mr. Frank Vermaeten: We don't have finalized results and we'd like to run those by the disability advisory committee. We plan to do that at the next meeting. We'd like to have them look at it and then make that information public.

What I can tell you is that when you look at the acceptance rate pre-May 2017 versus post-May 2017, after we'd done the review, the acceptance rates are virtually identical. I believe the review has been very successful.

• (1635)

Mr. Pat Kelly: So you have the data but you're not prepared to share it with this committee?

Mr. Frank Vermaeten: We haven't finalized the data. I'd like to finalize the data, because if we release preliminary data and we're still waiting for some then that's going to create confusion when we release the final ones.

Mr. Pat Kelly: The reassessment of the disability applications is not quite complete then?

Mr. Frank Vermaeten: It's not quite complete. Yes. We're waiting for a handful of them. We've sent letters to the medical practitioners we're trying to get some additional information from.

Mr. Pat Kelly: Okay.

Quickly, on the audit, one of the concerns that have been raised with me by professional tax preparers across Canada is the issue of quality of audits. I've heard this from different regions of the country, from all kinds of different preparers, and some who even identify as strident supporters of the governing party. They tell me that the

quality of audits is deteriorating and that this is causing the backlog in appeals. The comment from one accountant was that they'd had more audits of their own clients in the last year than in the previous 30 years combined. With almost all of them, the agency is wrong in a matter of law and a matter of fact. It's a question of then having to go through the appeal, which takes a long time and is extremely upsetting to the taxpayer.

With these types of criticism, what would be your comment on that?

Mr. Ted Gallivan: I think I'll go to the crux of the matter, which is the difference between an accounting opinion, a legal opinion, and a litigation opinion. The agency, particularly in the branch that I lead, is working to get litigation eyes on files before we issue proposal letters to taxpayers. I think there is some truth that a legal opinion isn't the same as a litigation opinion and with the multinationals, my work—

Mr. Pat Kelly: Accountants are complaining about, in many cases, fairly routine stuff.

Mr. Ted Gallivan: In that area, we have implemented a standardized, national, quality assurance process in which all audits are subject to quality review. We have a fairly high rate of quality review. For new auditors, it nears 100% and for experienced auditors it's at 20% or 30%. That is real-time quality assurance. This does take place before we reassess a taxpayer. There are quality controls built in.

It is true that we have some issues with respect to litigation and the difference of evidence, but our statistics in terms of change rates and appeal rates don't show an upward trend with respect to small and medium-sized business and eroding quality.

Mr. Pat Kelly: Thank you.

The Chair: We'll have to leave it there. We're well over time.

Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault (Sherbrooke, NDP): Thank you, Mr. Chair.

My first question is rather technical. The interim estimates mention a total of \$822 million, but vote 1 mentions the “authority to enter into commitments not exceeding \$3,565,865,062 in the fiscal year for the purposes of this vote.”

I'd like to know which of the two amounts we, the parliamentarians, will be voting on: is it \$822 million or \$3,565,865,062?

[English]

Ms. Kami Ramcharan: The amount you'll be voting on is the interim estimates, which is the \$822 million, which represents roughly one-quarter of our needs. We will come back, I think, in mid-April, when the main estimates are tabled, and that's when we'll be able to talk about the broader envelope that we have for the agency.

[*Translation*]

Mr. Pierre-Luc Dusseault: Okay, that's good to know.

But in the budget, it's a question of the authority to enter into commitments not exceeding \$3.5 billion. I'll take your word for it.

I would now like to touch on another topic.

You may have seen the numbers in the response to a question on the Order Paper asked by my colleague Mr. Caron that recently circulated in the House of Commons. What caught my attention most was the decrease in the criminal investigations program budget from 2010 to the present and the decrease in the number of full-time equivalent employees assigned to the program.

Furthermore, we are constantly hearing the minister say that the efforts are continuing and increasing, and that the process is even more efficient.

How do you explain the cuts to the criminal investigations program in recent years?

• (1640)

Mr. Ted Gallivan: There haven't been any funding cuts. The budget is stable.

It turns out that the agency made the strategic choice in 2013 to reduce the number of offices and to focus on highly sophisticated schemes, overseas schemes and the practices of financial professionals, and to no longer go after convenience store owners or the average person. We are targeting more serious cases of non-compliance. For that, we needed auditors with more experience and more skills, which is more expensive. So with the same budget, we now have a smaller number of investigators, but they have much more experience.

This same strategic decision explains the drop in the number of cases. We went from one or two files overseas to 40. These files are much more complex, so we assign many more auditors to them. There are exchanges at the international level.

For the criminal investigations program, we chose to have fewer auditors, but they are more experienced, and we are focusing on more sophisticated files.

This doesn't mean that we are moving away from other areas of non-compliance, but we are taking a civil audit approach with them. If the owner of a convenience store sells lottery tickets but doesn't pay the tax, we ask the owner to pay the tax, but we no longer initiate criminal proceedings in this situation. We are pursuing people who have very sophisticated accounting strategies.

Mr. Pierre-Luc Dusseault: So you are doing civil audits, rather than engaging in criminal proceedings.

Mr. Ted Gallivan: That's right.

Mr. Pierre-Luc Dusseault: My next question will allow us to come back to what was said earlier.

In terms of your recovery targets, the 2018 budget talks about a possible \$184 million. In fact, this is the target amount for the 2017-18 to 2022-23 fiscal years. So it's well below the \$25 billion mark. I imagine that everyone around this table remembers the \$25 billion the minister mentioned. It's the amount that still needs to be

recovered. But we are far from that amount, even considering the amounts you mentioned earlier. We talked about a \$360 million target for the past year. We have recovered \$500 million, and we are recovering \$1.1 billion for the fiscal year ending March 31. There may be more, but we are still very far from \$25 billion. I don't understand why the minister continues to talk about \$25 billion.

Would you be able to share with us the breakdown of that \$25 billion? Where does the amount come from? When will it be recovered?

Mr. Ted Gallivan: Before the recent investments, we still had a core program. Our program has 10,000 auditors.

When the minister talks about \$12.5 billion a year, so \$25 billion over two years, it's relative to the overall program. These are the core resources and dedicated resources that were allocated in the 2016 and 2017 budgets. When we talk about \$12.5 billion a year, or \$25 billion over two years, it's the overall effort of previously existing resources and new resources.

When we say \$500 million a year or \$1.1 billion a year, that's the additional contribution of supplementary resources; this adds to the totality of the results.

Mr. Pierre-Luc Dusseault: So these are additional amounts.

[*English*]

The Chair: We're over your time, Pierre. Sorry.

Go ahead, Mr. Sorbara.

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

The Chair: You have four minutes so that we can get one on from each side, Francesco.

Mr. Francesco Sorbara: Last week, my constituency office held one voluntary tax clinic for constituents, and I'm glad to say that I think we did 65 tax returns for individuals under a certain income. How widely has that been adopted, not in just MP's offices, but across the country? I think it's a fabulous program for many folks who maybe don't want to do the touch-tone dialling. What resources are being put in place? The feedback that we got was phenomenal from a lot of these individuals who came into the office.

Mr. Frank Vermaeten: It's great to hear that you're having some success.

The CVIT program is a very popular program. It's really been increasing over the last several years. We particularly welcomed the resources in budget 2018. That allowed us, again, to double the size of the resources, and that, in turn, will really increase the kind of support that we can give to volunteers across the country. Our goal is to double the size of that program within the next five years. We have hundreds of thousands of people using that program. As you know, it's for low-income people and low-income families, usually with fairly simple tax situations. They're the kind of people who often need personalized help, and I think the program is really doing that, so we're pretty proud of that.

• (1645)

Mr. Francesco Sorbara: It is an excellent program. I'm happy to announce that we're doing another three days of it. I think we have another 60-odd folks coming in to receive assistance in filing their taxes. I think that's one of those good-news stories that you don't hear reported about the CRA. You don't hear that we're putting the funds in and making the proper investments for the CRA to do that. This is something that I think we should be applauded for.

You brought up the number of \$1.1 billion. My understanding is that there was a target of \$1 billion and that we've surpassed that through three quarters of the year. Can you just clarify that and provide minor details?

Mr. Ted Gallivan: The expectation was to identify \$1.1 billion in additional tax owing, and we had met that as of December 31 or the third quarter. We're quite confident of exceeding that.

Mr. Francesco Sorbara: Would you say that part and parcel of that ability to collect those revenues, which would, obviously, be put into the programs that we cherish, was our providing the proper resources to the CRA over the last number of years to undertake that?

Mr. Ted Gallivan: Yes. To go back to the question about tracking the exact dollars that are collected, I would also emphasize that the deterrent impact of that increased effort is likely one of the factors that's influencing the 7.5% increase in corporate tax. On an annualized basis, that represents roughly \$10 billion in additional tax. If you look at personal income tax, non-residents tax, and corporate tax, they're all well above GDP growth. The tax agency can't take credit for all of that, but there's a positive upward trend. It's true that we understand that if you give us a dollar, we'll generate a certain dollar in billings, but how we spend that and how we target it is also very important.

The OECD is doing work around country-by-country reporting and CRS. These are two global efforts to get greater transparency for multinationals and individuals, and we're seeing a global lift from both of those two segments ahead of those measures. These are sophisticated people, and they're starting to pay the tax they owe in the first instance.

Mr. Francesco Sorbara: In terms of customer service.... We have a lot of small businesses in Canada and a lot of small businesses in the area that I represent in the region. What controls does the CRA have in place so that we don't become overzealous, if I can use that term, in terms of auditors or tax collectors auditing the mom-and-pop businesses in the riding, but actually help them with their compliance instead of going in there with a different sort of attitude?

Mr. Ted Gallivan: First, the resources that we've received have been targeted. A lot of the money included business intelligence IT systems to target the highest risk, and for us, the highest risk correlates with dollars. If you look at the \$12.5-billion annual overall result, two-thirds of it is coming from ultra-high-net-worth individuals and multinationals. We disproportionately cover people with large dollars.

In terms of the rest of the taxpayers, the assignment of the file is done by somebody different from the person who actually conducts the audit. There's an expert there who understands that there's risk, that we're not wasting the taxpayer's time, and that we're not wasting our time. There are written procedures and guidance in there. There are supervisory reviews at various steps in the audit process. Then there is an IT system that causes regional quality assurance to take place. There's a headquarters level above that, and then it goes back to the appeals process. One of the key action plans from the agency around the appeals situation is to close the feedback loop. We get regular reports in the audit function from the appeals function that say, "It's this office, that office, that taxpayer, or that situation that you seem to be getting wrong" because we're reversing it. One of the outcomes of the OAG review is to tighten that feedback loop.

The Chair: We'll have to cut you off there.

Mr. Albas.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): Thank you to each one of our witnesses for the work you do for Canadians.

What I would like to do is just briefly ask, in the interim estimates or in any of the documents that are here today, whether there any increased monies to review the excise stamp that's used for tobacco.

Ms. Kami Ramcharan: It would be very hard to pick out a piece of the program associated with that, but that's not money that we've received additional. If we have any efforts under way right now, they have been ongoing for a number of years. It would be no different. It's not money that we would have received additional.

Mr. Dan Albas: At a different committee, I asked the Minister of Health whether or not she's raised concerns about the stamp with the Minister of National Revenue. That's an area where in our own committee we've heard that those stamps are being used on contraband tobacco, Baggies. If CRA is serious about tackling that issue and fulfilling its functions given to it under law, there should be a review of that program.

Second, just in regard to Mr. Kelly's questions in regard to audits and, obviously, to appeals, it's my understanding that CRA either has sought to boost or has already boosted its audit function by about 50%. Is that correct?

• (1650)

Mr. Ted Gallivan: No.

Mr. Dan Albas: Of the auditors you had previously, there was a marked increase, though, in the number of auditors. Either you're attempting to hire or you've already hired them.

Mr. Ted Gallivan: Fifty per cent, even for an individual program, seems to be very high. Even in the coverage of multinationals, for example, we have roughly 2,200 employees. We've hired 150 additional, but that doesn't get anywhere near 50%, so I would—

Mr. Dan Albas: Okay, then there must have been a specific department. Was there a department that specifically saw a larger uptake recently?

Mr. Ted Gallivan: The most significant uptakes have been in offshore. The offshore area, since 2007, when we really didn't have an offshore area, has grown dramatically. The area of individuals with money in countries that are typically seen as tax havens has seen dramatic growth.

Mr. Dan Albas: Again, are those experienced auditors you're bringing in from other positions from other parts of the agency, or are these new positions that will be completely staffed by new hires?

Mr. Ted Gallivan: The vast majority are being staffed by people who did small and medium enterprises. They move up, and so they graduate. We have attempted external hiring, because we're very open to bringing in professionals mid-career, but we have not been terribly successful. I would say that the vast majority, 80% to 90%-plus, have been internal promotions. We remain open to bringing in talented people from outside; we just haven't had a lot of success recently.

Mr. Dan Albas: Specific to offshore, the government, the Prime Minister, as well as the Minister of National Revenue have been quite boastful about looking to recoup about \$11 billion. Do you know what the current target for the CRA is this year for offshore? I'd like to know if it's realistic, given the issues you've had with hiring and staffing.

Mr. Ted Gallivan: We haven't had issues with staffing. We've been able to staff all of the positions. The ratio, from external to internal, hasn't been as biased towards external as we might have hoped, because I think we're open.

We exceeded the first year target; that was the \$380 million. We've identified \$500 million. This year it's \$1.1 billion. We were at \$1.1 billion by Q3. The progress to date would suggest that we are selecting the right files, and we have the auditors in place to issue those assessments.

The Chair: We'll have to leave it there. Thank you all.

I just have one quick point I want to make. We all, in our MPs' offices, have lots of constituents who come to us with their concerns on CRA. By the time they get to us, they're at their wits' end. One thing I will admit is that I can't say enough good things about the problem resolution people at CRA we deal with through our office.

What seems to be a problem increasingly is lost information. I mean, I have constituents who have sent information in three times, and that's not unusual. Just look into that. When it's sent in, it should be somewhere, but I've seen constituents send the same information weeks apart, three times. I would expect that everybody around the table probably has similar problems. There's a glitch somewhere.

Sorry to rush you. With that, thank you very much for the information. We will reconvene with the Minister of Finance after the vote. Thank you very much.

- _____ (Pause) _____
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- (1720)

The Chair: We'll resume this meeting, and pursuant to Standing Order 108(2), the committee will study the subject matter of interim estimates, 2018-19, votes 1 and 5 under the Department of Finance; vote 1 under Financial Transactions and Reports Analysis Centre of Canada; and vote 1 under the Office of the Superintendent of Financial Institutions.

Welcome, Minister Morneau. I believe you have an opening statement, and we'll go from there.

Welcome to you as well, Deputy Minister Rochon.

Hon. Bill Morneau (Minister of Finance): Thank you, Mr. Chair.

It's a pleasure to be here to discuss "Budget 2018: Equality and Growth for a Strong Middle Class", and to speak about the investments our government is making to keep Canada's economy strong.

First, I'd like to thank the Standing Committee on Finance for its work in pre-budget consultations. Your work helped us to create a 2018 budget that takes further steps toward building an equal, competitive, sustainable, and fair Canada.

I also want to thank the Canadians who took the time to submit their ideas to us in person and online.

[*Translation*]

We must and we want to make Canada a more equal, more competitive and fairer country, with a more sustainable economy. This is necessary because Canada needs the work and creativity of all Canadians to meet the challenges of today and tomorrow.

In return, the government must ensure that these same Canadians can benefit from the spinoffs of economic growth. In concrete terms, this means well-paying jobs for the middle class and for those working hard to join it.

That's precisely what budget 2018 does.

[*English*]

With budget 2018, we're building on a plan that respects the choice that Canadians made a little over two years ago—a confident and ambitious approach. That plan is working. Thanks to the hard work of Canadians, combined with the government's historic investments in people and communities, the Canadian economy created almost 600,000 jobs in the last two years, most of them full-time. The national unemployment rate is near its lowest level over the past 40 years.

However, while the Canadian economy is doing well, we know we still have more work to do. Through budget 2018, the government is taking the next steps in its plan to grow and strengthen the middle class by promoting equality and investing in the economy of the future. Providing all Canadians with the opportunity to realize their full potential is the right thing, and the smart thing, to do for our economy.

Budget 2018 introduces investments that will help make sure that everyone has an equal and fair chance at success. Simply put, when more people contribute to the economy, the economy is stronger.

For example, the budget introduced the new Canada workers benefit, or CWB. This is an enhanced version of the working income tax benefit. This new program will benefit more people than the one it replaces, and will put more money in the pockets of low-income workers. Moreover, the government will make it easier for people to access the benefit that they've earned. Starting next year, everyone who can benefit from the CWB will receive it when they file their taxes, even the tax filers who haven't claimed it.

[Translation]

The new Canada workers benefit will provide real help to over two million Canadians who are working hard to join the middle class and will lift 60,000 Canadians out of poverty by 2020.

Starting next year, all taxpayers entitled to this benefit will receive it when they file their tax return, whether they have applied for it or not. These measures will encourage more people to join the labour market. It's good for everyone.

The 2018 budget also contributes to increasing women's participation in the workforce. This will promote economic growth and benefit everyone.

According to the McKenzie Institute, by taking action to promote equality, such as employing more women in technology and increasing women's participation in the labour market, Canada could add \$150 billion to its economy by 2026.

• (1725)

[English]

A study by the Royal Bank of Canada shows that increasing the participation of women in the Canadian workforce could increase Canada's gross domestic product by 4%. Full and equal participation of women and men in Canada's economy is essential for our future. Our economy cannot succeed when half of Canadians are held back.

[Translation]

The government is showing leadership and, this year, will introduce pay equity legislation in federally regulated sectors. We are committed to ensuring that women and men receive equal pay for work of equal value.

[English]

The new employment insurance parental sharing benefit offers parents more flexibility. It adds additional weeks of leave, weeks of benefits when both parents share the parental leave. This use-it-or-lose-it incentive allows for more equity in parenting and more flexibility for parents, especially women, to decide when to return to work.

The budget also takes further steps to ensure Canada and indigenous peoples can forge a new relationship built on trust, respect, and co-operation. Budget 2018 will help close the gap between the living conditions of indigenous peoples and those of non-indigenous peoples, facilitate self-determination, and advance reconciliation of rights. With new investments included in the budget, several long-term drinking water advisories on public water systems on reserve will be lifted even earlier than originally forecast.

There is more. Through the budget, the government is investing in indigenous peoples, removing barriers to their success, supporting their skills, and helping them fully participate in the economy and strengthen their communities.

[Translation]

Canadians believe protecting the environment is important, and the government does, too. Budget 2018 supports the development of a sustainable, low-carbon economy. The government is also promising to ensure that tariffs will be imposed on carbon pollution across Canada.

[English]

We know that science and innovation spur economic growth. That's why, through budget 2018, the government is making a historic investment of nearly \$4 billion over five years in support of the next generation of Canadian research, providing increased support and training opportunities for about 21,000 researchers across Canada every year by 2021-22. These investments will give our world-class scientists the support and the tools they need for their important work that will help to drive our economy forward.

Budget 2018 offers real progress for the middle class. As Canada's economy continues to grow, the government will ensure that all Canadians share in and benefit from this success. The budget's growth-generating investments, some of which I've outlined today, are being balanced by sound fiscal management that includes a declining debt-to-GDP ratio. The federal debt-to-GDP ratio, which is our debt relative to the size of our economy, is not only on a downward track, but it's projected to be near its lowest level in nearly 40 years. Canada's net debt-to-GDP ratio is the lowest among all G7 countries.

The federal deficit-to-GDP ratio is on a downward track. It is projected to reach 0.5%. As a point of comparison, that of the United States federal government is currently at 3.5% and could reach about 5%.

In other words, Canada's fiscal house is in order, which means that we're resilient to shocks and uncertainty in the economy.

[Translation]

The indicators show that Canada's fiscal position is sound. This means that the government can confidently make investments to strengthen and grow the middle class.

Budget 2018 will stimulate growth and productivity in Canada, which is a good thing. The jobs of the future will depend on the ability of Canadians to innovate in a rapidly changing and increasingly globalized economy.

[English]

Budget 2018 focuses on Canada's future and the things that truly matter to Canadians. Guided by a new gender results framework, it ensures that every Canadian has a real and fair chance at success.

Mr. Chair, I'd be happy to answer questions from members of the committee, either on budget 2018 or on the Department of Finance interim estimates for 2018-19. We also have officials from the department in attendance if there are any very specific questions.

Thank you.

The Chair: Thank you very much, Mr. Minister.

We will go to the first round of six minutes. I think we can get everybody on, if we go to a first round of six minutes and a second round of five.

First up is Mr. Fergus.

• (1730)

[Translation]

Mr. Greg Fergus (Hull—Aylmer, Lib.): Thank you very much, Mr. Chair.

Thank you very much, Mr. Minister. I am very grateful to you for listening to the Standing Committee on Finance. Indeed, many of the recommendations we had proposed, particularly with regard to investments in science and international development assistance, are reflected in this budget, which we can describe as feminist. Thank you very much for listening to our committee and to Canadians.

Rather than take a national perspective, I would like to focus on a very important issue for the people in my Hull—Aylmer riding, which includes a large number of public servants. Under the previous government, these people were hit by several budget cuts, and the value of their work was not respected. The last straw is Phoenix and the dismissal of all the HR professionals before the launch of this pay system.

I was really happy to hear the government announce that it would reflect on post-Phoenix. I know my constituents and probably tens of thousands of other people in the national capital region share this sentiment. Can you tell us more about this?

Hon. Bill Morneau: You're right; Phoenix is a big challenge, and we decided it was very important to invest to improve the situation.

[English]

I guess the frame of reference I would take in thinking about Phoenix is one that considers the context that we found ourselves in when we came into office.

In my private sector life, I have been involved in many implementations of human resource systems, pay systems, and pension systems. I really had never encountered a situation where the people who were intended to actually implement the new system were let go in advance of the new system being put in place. We found ourselves in quite an unfortunate situation, one where the

talented people who were required to implement the new system frankly just weren't there. This made it a very difficult situation. Obviously, the Phoenix implementation has created enormous problems for a huge number of people who work for the federal government.

We've taken this issue very seriously. We've already made significant investments. We made a commitment in this budget, not only that we would rethink how we can best deliver pay services to federal government employees to ensure they get paid appropriately and on time, but also that we would have the right system going forward for the long term.

In that regard we made a significant commitment in Phoenix over the long term of hundreds of millions of dollars, knowing that we need to get this right. It's not acceptable that federal government employees aren't paid properly, and the fact that we found ourselves in this difficult situation doesn't relieve us of the responsibility of getting it right, and that's what we're going to do.

I will tell you that we will stay on this until every single employee is appropriately paid and until this continues to be the case every single bi-weekly pay cycle.

Mr. Greg Fergus: I really appreciate that, Minister, thank you very much for that commitment.

Another aspect of the budget—or a part of the measures that were taken by the government—that will also really make a big difference for the people in my riding, especially people who work outside of the public service, is the Canada workers benefit. That is probably one of the biggest social policy initiatives of a federal government. That along with the Canada child benefit are probably the two biggest social programs that will make a real difference for getting people out of poverty.

I was wondering, Minister, if you could again talk to the values that underlie that and where we go from there.

Hon. Bill Morneau: Maybe I could start with the overall frame. What we're trying to achieve, both in this budget and more broadly, is to make sure every Canadian has a real and fair chance at success. The newly named Canada workers benefit is about encouraging people who aren't in the workforce, who are paid at a lower rate, to get into and stay in the workforce.

We know, first and foremost, that we need to get to the people who are actually in that situation, so we did two things this year. First we made sure that people who are eligible for the Canada workers benefit can automatically get it. We found that in many situations people who were filing their taxes on paper weren't getting access to the Canada workers benefit, so we put in place an approach to make sure that everyone could get access to it. That's critically important because we're dragging people into the system who wouldn't otherwise be there, providing them with encouragement to get into work and also an advantage when they're in work so they can stay there. Then we increased the amount. That provides slightly more income for people in lower-income jobs and it provides it farther out on the pay scale, so we hit a larger number of people with that workers benefit.

Again, the issue is that, in the face of a demographic challenge, we need to be thinking about how everyone can have access to the workforce. It's clearly the case that people at the lower end of the income scale are seeking work. This is an encouragement for them to do so, and it will help all of us because it will make the economy more successful if we find a way to get more people engaged in work. We think this is really one of those programs that help the people who are most challenged in our economy. By helping those individuals, we help everyone by making our economy more successful.

• (1735)

The Chair: Thank you both.

Turning to Ms. Raitt, you have six minutes.

Hon. Lisa Raitt (Milton, CPC): Minister, thanks for being here.

Minister, your budget is your responsibility and whether or not you succeed on the gender aspect is going to be at your feet. The word “gender” is mentioned 358 times on 368 pages, so I understand fully that this is something you are putting forward, but it's going to be your leadership and your willingness to implement that are going to matter. Otherwise we're going to have lots of very disappointed Canadian women out there.

Now, Minister, it makes sense for us to take a look at your track record when we determine whether we can trust you to implement what you say you're going to do. I would start with Morneau Shepell, where you were executive chairman, and—as you know because you know your own statistics—at most on your board, you had three out of nine positions occupied by women. In your senior management team, you had three out of 11 senior managers who were women. In your current board mandate, in your governance charters, in your nominating charters, there is no mention of diversity, inclusion, or gender. The focus is on competence, capability, and qualifications. In your annual report, going all the way back to 2011 never once in the analysis of risk to your former company did it ever mention not hiring women. I say this is important because you wrote in your budget that the main focus areas are more women in senior management positions and more company board seats held by women because it leads to better decision-making.

When did you determine that it was better decision-making to have women around the boardroom table, Minister?

Hon. Bill Morneau: These are really important questions. Like any other company in Canada, the company I was formerly associated with needs to ask itself the questions about how it can be most successful.

What I will tell you is that the company you are referring to, Morneau Shepell, I no longer have any association with whatsoever. I resigned in the fall of 2015 and have subsequently sold all my shares in that company, so I hold no responsibility for any of those statistics you identified.

What I can tell you is that, during the course of my business career, I found the effective way for us to be successful included trying to promote people who were highly effective, and promoting women was an important part of that objective. In making—

Hon. Lisa Raitt: They never made it to the C-suite, Minister.

Hon. Bill Morneau: Actually you are incorrect. I'll—

Hon. Lisa Raitt: Three out of 11 is abysmal.

Hon. Bill Morneau: Sorry, you are incorrect. The person I appointed as chair of Morneau Shepell on leaving was, in fact, a woman, as you might know.

The Chair: Minister, Madam Raitt—

Hon. Lisa Raitt: She is still a woman, and indeed she was paid less than any other director in 2012 when you were there.

Hon. Bill Morneau: You know, I fail to understand—

The Chair: Are we here to talk about the budget or Morneau Shepell? Let's get to the budget.

Hon. Lisa Raitt: I'm sorry, I got off track. Let's talk about Finance Canada then, shall we, Mr. Chair?

In Finance Canada there are seven women on senior staff either at associate level or at ministry. At the assistant deputy minister level, four of them are women. Four out of 11, Minister, that's your department. What's your response?

Hon. Bill Morneau: My response, in terms of my previous and current experiences, is that by promoting more women to senior roles, we have a more effective ability to be successful. That's certainly the approach that we're taking at Finance Canada. It's the approach that we've taken across government. Our approach to filling leadership positions in the government appointments and offices has been to seek qualified people in every position, of course, but also to do it in a way that ensures that we get to a gender-neutral approach to how we move forward.

This has been my experience over the course of my career, and we'll continue to move forward to try to make sure that we deal with what has been a challenging situation for women, whether it's been previously in business or now in government, to make sure that we get it right over the long term. That's the commitment that we've made since we've come into office, it's a commitment that was clearly demonstrated with the 358 references that you identified this year, and we'll continue with that approach going forward.

• (1740)

Hon. Lisa Raitt: Minister, those are just words on a page. It's your actions that matter to us. When I say "us", I mean all women who are trying to do better in the workforce.

Finally, Minister, you have direct control over your office, and you have six senior posts. You have director of communications, director of parliamentary affairs, chief of staff, and you have three senior advisers. Out of those six staff, the most senior staff to the Minister of Finance, you have one woman. Can you explain to me why you only have one woman in your senior staff?

Hon. Bill Morneau: What I can explain to you is that in our government broadly, in my role, whether it's in my office or in my role in working with the department, we will seek to ensure that we have successful operations, and also that we encourage the best and the brightest, especially women, to take on leadership roles. That will be our continuing approach. We believe in our budget this year that we've shown ways that we can actually achieve those goals, both now and in the long term, because we know it will make a difference. I think that has been demonstrated quite clearly.

Hon. Lisa Raitt: Aren't you just buying votes, Minister? Isn't that what this whole budget is about? It's a cynical political gesture. You're saying these words because you do not at all emulate...or try to foster any of the things that you're talking about in your budget whether in your past corporate life, within your own department, or even in your own ministerial staff. Isn't this just a way to get a woman's vote? Isn't that what this is all about?

The Chair: Mr. Minister....

Hon. Bill Morneau: I find your line of questioning to be offensive.

What I can tell you is that how I've comported myself in my life to date, and what we're trying to achieve, is about getting the greatest amount of success possible. I absolutely believe that doing that by promoting women into positions of leadership is one of the key success factors. We'll continue to do this. If people like you don't buy into it, that's a problem we'll have to face. However, my view is that we will be more successful collectively if we're actually able to successfully promote women into leadership roles. We will drag along the neanderthals who don't agree with that, and that will be our continuing approach.

Hon. Lisa Raitt: I'm not a neanderthal under people like you.

The Chair: Mr. Dusseault, you have six minutes.

[Translation]

Mr. Pierre-Luc Dusseault: Thank you, Mr. Chair.

Mr. Minister, thank you for being here.

I will start with a question that should be easy, since the title of your 2018 budget contains the words "middle class".

How does your government define "middle class"?

Hon. Bill Morneau: In our opinion, the vast majority of Canadians think they belong to the middle class. That means that, for them, it is always possible to do better. There is a need to find ways to improve the situation of this vast majority of Canadians.

That's exactly what we did by adopting measures like the Canada child benefit, which helps nine out of ten families, but it is not intended for families with annual incomes over \$150,000. That's what we're doing by introducing the Canada workers benefit, which is intended to help people whose situation is currently difficult join the middle class.

In short, we are going to continue to improve the situation of the vast majority of Canadians who are really part of the middle class.

Mr. Pierre-Luc Dusseault: So from what I understand, you don't have a definition of the middle class. You simply consider that it's the majority of Canadians.

Furthermore, 20 years ago, the Liberals announced the implementation of a pharmacare program. Now, 20 years later, you're still announcing your intention to introduce such a program. I'm a trusting person, and I will believe you this time. However, what worries me and what worries many other people who have spoken, is that the dice are loaded. In fact, the plan you have in mind is pharmacare that is not public, universal or free. This is clear to most people. You've mentioned it.

Do you think it's worth setting up a group of experts when your intentions have already been set for the program you're going to implement?

In addition, there are some people who criticize you for having a conflict of interest on this issue because the company you run is in that area, namely, employee drug benefit programs. How do you respond to them?

• (1745)

Hon. Bill Morneau: We don't know the solutions yet. We know there is a big challenge. Right now, part of the population can't access prescription drugs. It's a 21st century problem.

We must find a solution to this challenge. To do this, we will hold good consultations. We chose to hire Eric Hoskins to help us. We will examine the challenge and try to determine how the eventual program we want to implement can be funded. This is how we'll find a solution. It's clear that it hasn't been done yet. It's difficult.

Over the last two decades, as you said, we have seen tremendous change. There has been a big change in the structure of employment: today there are more self-employed people. In addition, the price of prescription drugs has changed significantly. The challenge is different, and to find a solution, we must consider the challenges of today.

That's why we have opted for a process that will allow us to consider the important things. We will have a report with recommendations to establish a program that will work for all Canadians.

Mr. Pierre-Luc Dusseault: Thank you, but I don't think anyone finds this answer reassuring.

The last time we met at this committee, we talked about tax treaties. The government was supposed to review the tax treaties it had signed with many countries. We talked about Barbados, where Canada made direct investments of \$68 billion. It's the third largest country in terms of our investments abroad. I was trying to find out what this \$68 billion investment was for, and you promised me that you would provide an answer later. It took four months before your department could give us an answer, through our committee clerk. We learned that 95% of that \$68 billion was directed to the financial sector, meaning banks and management. It was a one-paragraph response. It left me with more questions than answers.

Since you started reviewing tax treaties, have you found any that you could do away with? Primarily, have you looked at the one with Barbados?

Hon. Bill Morneau: In our opinion, it is very important to have tax agreements with other countries. Canadian companies can then work with other countries. It is very important to have an approach that works. That will continue to be our approach.

At the same time, we have a responsibility to make sure that there is a way to verify the various taxation systems in each country. That is why we have reached agreements with the OECD, implemented the Common Reporting Standard, and implemented measures to combat tax base erosion and profit shifting, also known as BEPS. In that way, we will see what the situation is in each country and, at the same time, to find out whether there is a way in which companies can do business in a way that is advantageous to them.

So it is necessary to have agreements. Clearly, we must ensure that we have an approach that works, but that poses no taxation problems.

• (1750)

[English]

The Chair: We'll have to cut it off there.

Ms. O'Connell, you have the last question in the first round.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Thank you, Mr. Chair, and thank you, Minister, for being here.

I find it extremely offensive to suggest that buying votes for women is done through types of policies and transformational work. Let me set the stage a little about, once again, the hypocrisy that we hear from the other side.

Let me ask this question. How many women did the Conservatives put on this committee? Zero. Let's also talk about—

The Chair: I think the questions are for the Minister.

Ms. Jennifer O'Connell: Okay, let me go back to that, then.

Mr. Raj Grewal: The Minister can answer that question, too.

Ms. Jennifer O'Connell: It's easy when there are three, and there are zero.

There are currently eight women in the Conservative shadow critic roles—eight. Prime Minister Harper had six ministers out of 26 in 2006 and 12 out of 39 in 2013—I have Google, too—so let's talk about what this budget actually means for women, despite the hypocrisy coming from the other side over there.

Is parental leave enhancement so that women can get back into the workforce about buying votes from women, or is that about creating greater flexibility for women in the workforce? What about the funding and the carve-outs supporting women entrepreneurs? Do the Conservatives believe that is buying votes? I guess they don't really know the supports that women need since they clearly don't see a role for a woman on the finance committee. What about women in trades? Is that important to the economy and to women?

Perhaps, Minister, you can speak about the actual proposals in this budget and why you felt they were needed now. We can all go back to the dark ages of the Harper Conservatives, but that hasn't helped women, so can you talk about what the future holds for women? We all have to acknowledge that this isn't the end, but certainly some of the proposals in this budget are meant not only to stimulate the economy but also to help women get into the workforce.

I want to bring up one line that I mentioned in my delegations to my local councils when I spoke about the budget. It was said in this budget that the issue of women in the economy is not just a moral issue but an economic issue to be seized. The previous Conservatives and the current Conservatives didn't bother to seize that moment. Can you talk about why you are?

Hon. Bill Morneau: The frame of this is always the situation that we find ourselves in. We look back over the last 40 years and consider how our economy has grown. A third of the growth over the last 40 years has been women entering the workforce. Then you have to consider whether we have gone as far as we can go in this regard.

Women in Canada are in the workforce at a 61% workforce participation rate. Men are at a 70% workforce participation rate. That means we're eighth out of 29 OECD countries. In my estimation, we can do better than eighth out of 29.

In terms of equal pay for equal work, we have women earning about 88¢ on the dollar compared to men, for an equal amount of full-time work, if you want to look at it that way. That's about 15th out of 29.

What we're saying is that as we face a significant demographic challenge, because we're having more people retiring as the baby boomers retire, we need to make sure that all Canadians who want to work and have the capacity to have an impact are able to meet up with their full opportunities. That's the challenge we're facing. We think we can do better for women in this country, and we think that will have a really important impact for all Canadians.

It will also have a specific impact for women who actually find themselves in these advantageous situations. For the parental leave that you were talking about, the five-week "use it or lose it", the idea is that we're going to get more second parents—and typically, it's men—taking time off. This is going to enable women to go back to the workforce more rapidly or in greater numbers.

The idea that we're putting in an additional amount of money through the BDC and EDC for women entrepreneurs means that there are more opportunities for women business leaders to be successful. It means for young women today that they'll see more opportunity in the future.

The fact that we put a significant amount of money into science and research and say that we want to tilt that towards younger, more female, more interdisciplinary work means that when a young girl is thinking about what field she might want to go into, she's likely to see more researchers who are going to be in science and engineering down the road because they will have more grants that will have been given to them.

These are all about the long-term idea that we want to see more success for women in our economy. It won't be done overnight, but I think the starting point that we began right at the very beginning of our government, where we looked to fill leadership positions with an equal number of men and women, and the continuing focus on how we can do better are going to have an impact.

Whether it's for the young women of today or a girl who's just thinking about what she's going to do, she'll see that she'll have more opportunity in the future, and that will end up being better for her. That will end up being better for our economy. Even for the people who don't buy into this, it will be better for them, so we're going to keep on it.

• (1755)

Ms. Jennifer O'Connell: Thank you.

The Chair: I'm sorry, we'll have to end it there. That was a long question with a long answer, and six minutes have gone.

Five-minute rounds, Mr. Poilievre.

Hon. Pierre Poilievre (Carleton, CPC): You promised the budget would be balanced next year. Will it?

Hon. Bill Morneau: We're not going to take the Conservative approach to cuts—

Hon. Pierre Poilievre: Sorry, this was the Liberal approach in the platform—

Hon. Bill Morneau: —cutting things like the veterans benefits, for example.

Hon. Pierre Poilievre: —in the election platform.

The Chair: Mr. Poilievre.

Hon. Pierre Poilievre: This was your platform. You said you would balance the budget next year. That's the Liberal approach that you ran on. Are you now saying you were wrong when you ran on that?

Hon. Bill Morneau: What I'm saying is we're not going to take the Conservative approach to cutting veterans services, for example, the Conservative approach to boutique tax credits that only benefit the very wealthy. What we're going to do is continue to invest in Canadians, because we know that Canada works when Canadians are working, and that's what we're seeing right now.

Hon. Pierre Poilievre: Will the budget be balanced next year as you promised? That's a yes or no.

Hon. Bill Morneau: What we're doing right now is investing in Canadians.

Hon. Pierre Poilievre: Would you know if the budget's going to be balanced next year, or is there another minister who'd be responsible for answering that question?

Hon. Bill Morneau: What I can tell you is that we will continue with the successful approach we've taken to create a remedy to the failed approach that came before us.

Hon. Pierre Poilievre: Okay, so you don't know. You're the finance minister of Canada. You're not sure if next year the budget will be balanced. I'll inform you, then. Your plan foresees another quarter century of deficits. That's a quarter century longer than you promised when you were knocking on doors in the last election, Minister.

During that quarter century, how much debt would the Government of Canada accumulate?

Hon. Bill Morneau: What I can tell you is that the additional \$150 billion of debt that was put on by the previous government is obviously an additional challenge we face, but we still find ourselves with a very low net debt-to-GDP. We're the best in the G7. We continue to be in a position where we—

Hon. Pierre Poilievre: Under your fiscal plan, how much new debt will be added—

Hon. Bill Morneau: Can I finish my comments?

Hon. Pierre Poilievre: —before the budget is balanced?

The Chair: Mr. Minister, you have the right to finish your answer as long as it's not too long.

Hon. Bill Morneau: We will continue with the approach to having a very positive fiscal situation by reducing our debt as a function of our economy over time to among the lowest levels that we've seen.

The Chair: Go ahead, the floor is yours.

Hon. Pierre Poilievre: The minister doesn't know if the budget will be balanced next year. When I inform him that his own fiscal plan sees 25 years of deficits, he can't tell Canadians how much debt the Government of Canada will accumulate during that time. I did a control+F on your budget, Minister, and the term "balanced budget" does not appear once, according to my search. You can't do a balanced budget. You can't even write the words "balanced budget". Can you say the words "balanced budget"?

Hon. Bill Morneau: Here's what I can say. The Conservative approach to cuts to things like veterans services and to cuts to things like people who are supposed to implement a new pay system for federal government services clearly failed. We ended up with a low growth rate. We ended up with a high unemployment rate. The fact that more Canadians are working, that we have among the lowest unemployment rates in 40 years, I hope you're—

Hon. Pierre Poilievre: You can't even—

Hon. Bill Morneau: —celebrating that, because I imagine there are more people in your riding who are working, which is a positive for our economy.

Hon. Pierre Poilievre: You can't even say the words "balanced budget". You ran on it.

The Chair: I'm giving you equal time, both of you.

Minister, you can finish that answer, and then Mr. Poilievre will have another.

Hon. Bill Morneau: I'm happy to have his next question.

The Chair: Okay.

Hon. Pierre Poilievre: You don't know if the budget is going to be balanced next year. You don't know how much debt you're planning to add to the Canadian people, and now you can't even say the words "balanced budget". Are you that allergic to balanced budgets that you can't even say the words?

• (1800)

Hon. Bill Morneau: What we have shown over the last two years is a very clear focus on Canadians, and what we've shown is that, when you do that, you create a better economy. The fact that our economy is growing significantly better than it was when we came into office, the fact that hundreds of thousands more Canadians are working, and the fact that we have the lowest unemployment rate we've seen in almost 40 years, lower than we saw in the entire period of the last government, are enormous positives. When Canadian families look at where they're at right now, consider the advantage they took—

Hon. Pierre Poilievre: Where they're at is deeper in debt because of you.

Hon. Bill Morneau: —in November 2015 when they got a new government. They are likely very pleased to see that we are in a much better position to be resilient to face any economic challenge that we face.

The Chair: Last question. Go ahead.

Hon. Pierre Poilievre: Minister, the reality is that you are adding debt at twice the rate you promised. You said that you would balance the budget next year. Now you're not even capable of telling the Canadian people how much additional debt your plan would add

over the next quarter century of deficits that you've set us on track to run as a country.

At this point, are you prepared to admit you had no intention of keeping your promise to the Canadian people in 2015 when you promised the budget would be balanced next year?

Hon. Bill Morneau: It's a challenge when someone hasn't had experience in managing a balance sheet or, in fact, in managing anything of any substance. However, what I can tell you is that we found that the best way for us to manage our economy is to reduce our debt as a function of the economy over time. What we're seeing is that over the five-year span, we've actually reduced the debt as a function of our economy and will continue to do so, putting us in a resilient place to deal with any economic challenge.

The good news is that we are in a strong position. We continue to be fiscally responsible, and the government as a function of the economy is staying constant. That is a place where Canadians understand that we are focused on their interests in making sure our economy is stronger over time.

The Chair: Mr. Sorbara, go ahead for five minutes.

Mr. Francesco Sorbara: Welcome, Finance Minister.

Minister, our record for the last two and a half years speaks for itself, and I would say it's a great record. As you said, we have the lowest unemployment rate in 40 years; hundreds of thousands of new jobs have been created; and the Canada child benefit is lifting literally tens of thousands if not hundreds of thousands of children out of poverty. In my riding of Vaughan—Woodbridge, it delivered \$60 million of funds to families that needed it. Thank you for indexing the Canada child benefit and doing it two years ahead of schedule, because that's going to continue to benefit families in my riding, and they can use that to pay for their kids' sports activities, save for their kids' future, and maybe pay for some hockey, soccer, or ballet lessons.

In the riding that I'm blessed and privileged to represent, we're blessed with a number of what I would call barometers. We have the busiest intermodal facility in the country—the Canada Pacific intermodal facility. CN rail has its largest facility in the country there. Recently the Prime Minister joined UPS Canada in the announcement of their \$500 million investment, and that facility is located in the city of Vaughan. The Home Depot distribution centre for all of eastern Canada is located there. We also have Martinrea and Magna in the York region. We want to continue to make sure that our investment competitiveness is maintained, and that these companies that are making these announcements, including UPS, continue to choose Canada, as many companies are, to invest in with their people and organizations.

I want to hear your thoughts—and I can bring back these thoughts to the riding and constituents that I represent—about how we're going to continue maintaining Canada's attractiveness to international companies and domestic companies, of course, to invest.

Hon. Bill Morneau: This is a very important question. I can tell you that having had the opportunity to go across Canada after the presentation of the budget, I heard many things from businesses that were considering investments. I heard that in many cases people were challenged to find workers. We have a situation in which employment has gone down, so finding and keeping good workers is a challenge. I also heard about businesses that were concerned about our long-term competitive environment. The good news is that we are in a positive economic situation to deal with challenges that we're presented with.

However, there are also real challenges that we have to consider. In the current environment, we are obviously renegotiating NAFTA, which presents some uncertainty for businesses. We have changing tax rates in the United States, which present people with business investment differences as they consider those changed tax rates. We also have global trading changes that are going on. We need to consider that changed competitive environment.

I will tell you that right now we're making sure we understand the impact of those tax changes so as to ensure that we stay competitive. We're fighting hard on behalf of Canada at the NAFTA table to get to a better arrangement for all three parties. We're also looking carefully to make sure that we stay competitive. I will be taking time over the course of the next number of months to listen to Canadians and Canadian business leaders to understand how these changes are impacting them.

I can tell you that as we go out of the country, we continue to find a huge appetite for Canadian investment. We have great people in the country and a highly educated workforce. We have great resources, and we have a stable political system that creates long-term comfort for investors. It's a positive place from which we start, and we are committed to maintaining that continuing competitiveness by looking at all those aspects of importance for businesses as they make investments.

• (1805)

The Chair: You have time for a very short question, Mr. Sorbara.

Mr. Francesco Sorbara: I would like to touch upon budget 2018 in terms of its reference to gender. To personalize it, I have two young, precocious daughters at home who are the love of our life for my wife and me. I've told you this personally, and I have thanked you for making their future brighter. I say that with all sincerity, Minister, because what we did in our budget is something I'm proud of. I'm proud of being part of a government with that as its focus. I would re-emphasize just how important it is for our economy that women specifically experience the increase in labour force participation rates, equal pay for equal work, etc. If you can just close it off and provide your thoughts, that would be great, because I'm very proud of our budget and its focus on making sure that those gaps are reduced.

Hon. Bill Morneau: Well, we're certainly pleased with what we've put in the budget, but we realize there's always more work to be done in this and every other area. We know that if we create

opportunities for young women to be successful in all fields of endeavour, and if they have role models in those places, we're more likely to see long-term success. We're laying the groundwork for the next government and the government after that to have increasing success in this area.

Certainly, we will be monitoring what we've done to make sure that it's actually having the kind of impact we want it to have. For example, this year we put more money together for women entrepreneurs. Even though we'd already put significant funds into this area over the last couple of years, we constantly consider if we have to refresh our approaches in order to have a continued and lasting impact. We're proud of this as well, but, again, there's more to do.

The Chair: We'll have to leave it there, Minister.

Mr. Albas.

Mr. Dan Albas: Thank you, Minister, for being here today.

Minister, there is a growing perception, not just around our country, but definitely in the Okanagan and throughout my riding, that the government does not have a firm grasp on its expenses. People feel that you're spending a lot of money in a lot of different areas and it is adding to the debt.

I'm sure that reasonable people can agree that some of this may be good, but when people see extravagances and excesses, I would hope you'd agree, this is not good for anyone, because we need to have faith in our institutions, which are supposed to be spending this money correctly and with all prudence.

I have to say, I'm slightly alarmed that you won't even utter the words, "balanced budget". It's almost like these are dirty words for you. Previous Liberal and Conservative finance ministers would work very hard to be able to say to the people's representatives that they had succeeded, or at least that they had worked towards a balanced budget. It worries me. I will say, Minister, that this may not concern you, but I tell you what, there are people in this country who are getting concerned because you will not even say to the people's representatives when you will turn in a balanced budget or how much money you're going to be putting us into debt. None of this causes confidence.

Minister, I spoke with a pensioner from the Okanagan. Her name is Donna. Donna's quite concerned about her grandchildren inheriting a lot of debt—debt that mainly is being applied, not during a war, not during a recession, but for ideological reasons and contrary to certain promises. Donna has given me a cheque written out of her own pocket. She's estimated the consumer price index on her old age security, and she has said that she wants to see it go towards the debt and not towards other spending.

Minister, will you, first, accept this cheque, and second, ensure that it goes entirely towards paying down the debt and not towards other spending?

•(1810)

Hon. Bill Morneau: Let me first address the context of your question. We believe that our budget has struck the right balance. We continue to believe that Canadians, when they made a choice in 2015, made the right choice.

I appreciate that you want us to go back to doing things the way that the Conservative government before us did—to focus on one number and to do so in a way that, unfortunately, would lead us to a really bad outcome. What we found with the previous approach was that we had really bad unemployment and we had much lower growth. Our approach—which has been to focus on responsibly investing in Canadians, to growing the economy, and to getting more people working—is working.

As you go out around your riding, I know you'll find that more people are working, because that's just statistically what's happening in this country. When we find that policies are working, I think we need to embrace them. As patriotic Canadians, I hope that even the people in the Conservative party would say that they are pleased when the economy is doing well.

The economy is doing well. The approach we've taken is working, and we're doing it while reducing the size of the federal debt as a function of GDP. We're doing this in a gradual way that really makes sense.

Mr. Dan Albas: Minister, you have the distinct honour, or dishonour depending on your view.... Canadians, I absolutely agree, do not all share the same perspective as your government, but when you describe people as neanderthals and things like that, I have to say—

Hon. Bill Morneau: Sorry?

Mr. Dan Albas: Never mind. I think what I'm trying to say here, Minister, is when you do not listen to people and just respond from rote talking points, it really does not build faith in government.

Now, you are hitting a milestone in this coming year, \$1 trillion in debt, something that no finance minister has had before, and all I hear again is—

The Chair: Sum it up, Dan.

Mr. Dan Albas: I will sum it up.

Will you tell the Canadian public when you plan to balance the budget?

Hon. Bill Morneau: I will say that with greater transparency comes some responsibility for people to look at it. When you talk about numbers like that, you're comparing the \$150 billion of debt the previous government left us, that additional debt, with the Canada Mortgage and Housing Corporation balance sheet, which actually supports the mortgage market in our country. These are apples and oranges. I suspect, when you look at those numbers, you should understand what you're actually talking about. We're talking about a balance sheet of the Canada Mortgage and Housing Corporation that supports mortgage, we're talking about a balance sheet of the Business Development Bank of Canada that supports entrepreneurs, we're talking about a balance sheet of Economic Development Canada that supports exporters, and you're comparing them with the debt that Stephen Harper and the people to your right

and the people to your left, as the previous government, left Canadians. These are not comparable. They're different things.

We will continue to be fiscally responsible. We'll continue to reduce the debt as a function of the GDP. We'll do it in a way that allows us to invest in Canadians and continue the very good situation we're in right now.

The Chair: Mr. Minister, we'll have to end it right now.

I have three people who need to get on. I'm going to go to Mr. Grewal for one question, Mr. Kelly for one question, and Mr. McLeod, and if we have time we'll go back to Mr. Dusseault.

Mr. Raj Grewal: Thank you, Mr. Chair.

I have four very small questions. I'm going to ask them all in one question.

Minister, since our government came into power, how many jobs have been created, what is the unemployment rate, how are we doing in terms of growth, and how are we doing in terms of the G7 nations?

Hon. Bill Morneau: We, all of us in this room, as patriotic Canadians, have to feel good when we look at ourselves compared to other countries. We are in a situation where, to start with, our balance sheet is in a very good position. That means we're resilient. We have the lowest debt-to-GDP among G7 countries. It's not the lowest by a little bit, it's half the average, so it's a very good starting point.

We have an unemployment rate that's gone from 7.1%, back in the time we got into office, down to about 5.8%, and about 600,000 new jobs have been created, which is the answer to your question. In a U. S. context that would be six million new jobs. These are big, big numbers, so this is very positive.

The growth rate we've seen over the last year and a half has been the fastest among G7 countries, about 3%.

We will, of course, face challenges going forward. We always will face challenges. But starting from a position like that, where more Canadians are working, where we have a great balance sheet, where we've seen the kind of growth that we've seen, allows us to deal with those challenges in a way that puts us in a favourable position, and I'm happy we're there.

•(1815)

The Chair: I hate to cut you off, Mr. Minister. I know you have to be out of here at 6:20 p.m.

Mr. Kelly.

Mr. Pat Kelly: Thank you.

I have a quick question.

A cursory look at all of the other provincial and territorial current budgets reveals, in each case, either a date to return to balance, if they are not running a balanced budget already, or some kind of a plan and a target. Why are you the only finance minister in Canada who has no plan for a balanced budget and will not address the issue of a balanced budget in a 400-page budget document?

Hon. Bill Morneau: What I will tell you is that no matter how many times the Conservative members ask us to follow the playbook of the previous Conservative government—

Mr. Pat Kelly: The only one in Canada, Minister.

Hon. Bill Morneau: —we won't do it. What we will do is continue to invest in Canadians, to make sure that we find ourselves in a positive situation, to make sure more Canadians are working, and to make sure we do it in a responsible way. Demonstrating that responsible approach to reducing debt, as a function of our economy over time, is the way we can ensure we are balancing things in the appropriate way. We are not taking the Conservative approach to cutting things that might be of enormous value, to find ourselves in an illusory advantage that is only short term.

Mr. Pat Kelly: Like the 10 provinces.

The Chair: Mr. McLeod.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Mr. Chair.

I don't think the minister will be too surprised about my line of questioning. I've raised the issue of investment in the north many, many times. Over the last while, we've really built up a deficit in many areas, including infrastructure. However, we've started to see a steady stream of ministers and staff from our government coming to the Northwest Territories in the last while, including the Minister of National Revenue, and we've really had some good discussions. The CRA and the Government of the Northwest Territories recently reached an agreement to launch automated benefit services across the territories.

Could the minister just talk a little bit about the benefits of having this service in the Northwest Territories, and what change it will bring families in the north?

Hon. Bill Morneau: As we have considered the importance of getting benefits to Canadians, one thing that we have addressed in our budget this year has been thinking about two key benefits that are critically important, either for individuals as they get into the workforce, which is the Canada workers benefit, or for families, which is the Canada child benefit. In both of those cases, we found that people were not necessarily automatically getting those benefits. The impact was worse in places where there was a higher likelihood that people were completing their tax returns on paper. In places where there weren't the same levels of broadband, for example, we found that it was more likely that people were completing their tax returns on paper. Of course, that is a continuing challenge in some parts of the north.

Our approach to dealing with that was to make those benefits automatic—and we did that with both the Canada child benefit and the Canada workers benefit, which will increase the take-up rate, having a big impact on people in the north—and to make investments in getting access to technology. You know that we made a \$500-million investment in broadband in budget 2016. In this budget, we made an investment in what's called low earth orbiting technology, looking at a new approach to getting access to broadband for people in remote communities, which we think will have an impact over time.

We continue to be focused on how we can impact people in all parts of the country, recognizing that there are unique challenges in rural communities, but also in northern and remote communities. We think this will have a measurable impact on those.

The Chair: Thank you, Minister.

The last question is for Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you, Mr. Chair.

As you know, according to the latest report from Statistics Canada, household debt has now reached 171%. When that figure was revealed, we found out through the media that the Department of Finance has no tools to assess the dangers that it could represent for the Canadian economy.

Can you confirm that the Department of Finance is not currently conducting any impact studies of the dangers that household debt represents for the economy, nor any analysis that would allow us to determine a threshold beyond which the level of indebtedness poses a very major problem? Personally, I find that 171% is a lot. Can you tell us if there are any studies on the matter?

• (1820)

Hon. Bill Morneau: We do a lot of analysis on household debt, because the matter is very important to the Department of Finance. The Bank of Canada is also concerned about the matter. We have implemented a number of major steps in that regard.

For most families, about two-thirds of the debt, maybe more, is from their mortgage, especially from fixed rate mortgages. We know that we have to study the changes that will have to be made with mortgages. We have done so several times in the past and the steps we have taken have had a real influence on the situation. So we see it as important and we will continue to take a great interest in household debt in order to reduce the risks that it may cause in the future.

[*English*]

The Chair: Thank you very much, all. Thank you, Minister and Deputy Minister, for coming.

We will now suspend for a few minutes, while departmental officials come up, then we will go until 7:15 p.m.

Hon. Bill Morneau: Thank you.

The Chair: Our meeting is suspended.

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_____ (Pause) _____

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• (1825)

The Chair: We'll reconvene. We have departmental officials here from the Department of Finance: Ms. Laniel, Chief Financial Officer; Mr. Botham, Assistant Deputy Minister, Economic Development; Mr. Stewart, Assistant Deputy Minister, International Trade; and Mr. Charland, Director General, Social Policy, Federal-Provincial Relations.

Welcome, folks. I don't believe you have an opening statement, so we'll go to questions.

Ms. O'Connell, you're first up.

• (1830)

Ms. Jennifer O'Connell: Thank you, Mr. Chair.

I'm so disappointed. We don't have any women on the Conservative side anymore. I was really looking forward to walking the talk, but I guess it was just when the cameras were here for the minister.

Getting to the department, you might not be able to answer this, but, in the statements, home care and mental health expenses are up 200%, in terms of the agreement with provinces.

I'm just wondering if the provinces and territories have actually provided more details on how that funding will be used.

Ms. Adelle Laniel (Chief Financial Officer, Financial Management Directorate, Corporate Services Branch, Department of Finance): We did update the numbers in the statutes. They're not included as part of these interims today, but they were updated, based on the rules behind those transfer payments.

Ms. Jennifer O'Connell: Okay.

Ms. Adelle Laniel: We'll be seeing that in the main estimates.

Ms. Jennifer O'Connell: Fair enough, so I'll wait until then.

In terms of budget projections and market volatility, we've seen some fluctuations, certainly from the U.S. and different policies there, but that's not always the only cause and effect.

What's the process for recalculating some of these projections based on volatility, and what are some of the risks that the department is building in for things like NAFTA, and also some of the policies in the U.S. that impact some of our markets? Is that kind of a global risk always factored in?

The Chair: Mr. Leswick.

Mr. Nicholas Leswick (Assistant Deputy Minister, Economic and Fiscal Policy Branch, Department of Finance): As part of resetting the economic and fiscal framework in the budget, similar to how we do it in the fall update, we survey our group of private sector economists. The economic projections that underpin the budget are effectively a straight average of the group of 14 private sector economists.

To answer your question, in that group of economists, there's a broad range of different risk scenarios, and there's a broad range of factors that they include in their baseline forecast. For instance, when we surveyed this group of economists in December, leading to our preparation of the budget, about half of them anticipated successful passage of the U.S. tax reform plan, which came to fruition toward the end of the month. Likewise, there were a handful of economists who assumed some impacts with respect to the uncertainty around NAFTA trade negotiations.

All that considered, we take a straight average. There are the highs and the lows, but we take just a straight average, and build it into our forecast. Likewise, we include in this budget a bottom line risk adjustment, or a contingency, that manifests itself in terms of a \$3-billion adjustment to the baseline forecast, again, to give ourselves some risk adjustment should we need it, which is considered prudent fiscal planning assumptions.

Ms. Jennifer O'Connell: That risk adjustment had been a common practice previously, and then was taken out, and then added back in. That's my understanding, or is that completely a ministerial departmental kind of discretionary decision?

Mr. Nicholas Leswick: It's discretionary, but it has been standard practice for a generation now. It has changed in value from \$3 billion to as high as \$6 billion in previous budgets, but this budget maintained it at \$3 billion over the forecast horizon.

Ms. Jennifer O'Connell: In the Library of Parliament briefing note—I'm not sure if you've all seen that—there are several slides and there are several indicators in terms of the GDP ratio. Obviously, there are lots of discussions on what is the best economic forecasting and determination of the health of our economy.

Can you speak to why the debt-to-GDP ratio is significant, and why in terms of the forecasting—and certainly in comparison to other G7 countries—this standard of measuring long-term projections is important?

• (1835)

Mr. Nicholas Leswick: There are two ways to look at deficits. One is just on a nominal basis, so just straight up what is the value of deficits that the government is incurring over the forecast horizon. But, quite frankly, it probably doesn't give you the true picture of the magnitude of the deficit unless you position it against the size of the economy. Then, from nominal switching to a relative term, it's putting that nominal value on top of the value of the economy that gives you the deficit-to-GDP ratio and then over time a debt-to-GDP ratio. This gives rating agencies and other commentators and people who purchase our debt, and frankly, just general Canadians, an understanding of the debt load that we're carrying as a relative size of the total Canadian economy.

Ms. Jennifer O'Connell: Thank you.

The Chair: Mr. Albas, you have about six minutes.

Mr. Dan Albas: Thank you to all of our witnesses for the work you do for our country.

Just in regard to the previous conversation with the Minister of Finance, obviously Canada does have a debt and it is set in the next year to go over \$1 trillion.

Could we just have a breakdown of what is federal debt, and what is market debt, and what should the interest payments be in 2018?

The Chair: Mr. Moreau, the floor is yours, sir.

Mr. Nicolas Moreau (Director, Funds Management Division, Financial Sector Policy Branch, Department of Finance): First, I'd like to clarify that when you referred to the \$1-trillion market debt, it also takes into consideration the debt of the crown corporations. You need to distinguish the federal debt, or the debt of the federal government by itself—which is about \$700 billion right now—and you need to add about \$330 billion to capture the crown's debt. Basically that's the way that you would come closest.

This is the market debt, so that's the debt that is financed on the market. Basically it's different from the net debt that we often refer to when you look at the net debt-to-GDP. This is basically the overall debt of the government plus some of its liabilities, which you net out of the assets the government owns right now.

Mr. Dan Albas: I would say that the majority of those assets, though, are not like traditional assets where you can just put them on the market and sell, because obviously there is a reason why government is retaining those.

Mr. Nicolas Moreau: The liabilities, we could finance them if we want. It's only that we finance as we go. It's mostly linked to a pension plan. Basically, every year we need to pay more than what we receive in some cases, so that's why we finance it on an annual basis and we don't pre-fund those liabilities.

Mr. Dan Albas: For the interest payments for this next fiscal year that we're coming into, what are they projected to be at?

Mr. Nicolas Moreau: Right now, I could say that the average interest rate that we pay on our debt is 1.2%, so the interim interest payment in terms of billions of dollars I think is around \$13 billion that we will need to pay.

Mr. Dan Albas: Okay.

Again, I've seen the number \$26 billion. Is that something that you've seen?

Mr. Nicolas Moreau: I don't know what you're referring to.

Mr. Dan Albas: Okay.

Again, it's my understanding that we spend about....

Yes, please.

Mr. Nicholas Leswick: Sorry, that would be not just interest on market debt, but interest on other interest-bearing debt, such as our pension and benefit obligations. That is a group of about a quarter billion dollars in debt that we also incur interest charges on. It's different from a coupon payment that we pay on the market side, but it's still interest-bearing debt.

Mr. Dan Albas: Is it expected to accelerate faster over the next year?

Mr. Nicholas Leswick: Which, debt obligation?

Mr. Dan Albas: Yes.

Mr. Nicholas Leswick: I can get back to you on that. I would assume it's probably market debt, but it's hard for me to answer that with certainty. I can follow up with the clerk on that one.

The Chair: Great. Thank you.

Mr. Albas.

Mr. Dan Albas: First of all, since the government came into office, how much debt has it added and what should be expected? What is the current five-year projection from this year's budget?

Mr. Nicolas Moreau: That's information we can find in the budget right now in terms of deficit projection.

• (1840)

Mr. Dan Albas: Yes, I would like it read into the record, please.

Mr. Nicholas Leswick: Nick, I have the answer.

On a running basis, our cumulative change in the financial position since 2015-16 fiscal year.... Sitting as of today—so we're leading up to closing the 2017-18 fiscal year towards the end of the week—we will have rallied around \$36 billion in accumulated net debt.

Mr. Dan Albas: And the five-year plan presented...?

Mr. Nicholas Leswick: It's about \$114 billion.

Mr. Dan Albas: Is it \$114 billion or \$115 billion?

Mr. Nicholas Leswick: Just so I understand your question correctly, over the forecast horizon presented in the federal budget it would be approximately \$114 billion.

Mr. Dan Albas: Okay. I certainly appreciate that.

I don't have any other questions on the debt, Mr. Chair.

The Chair: Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you, Mr. Chair.

Thank you all for joining us today.

My first question is a little more technical and it leads me to reflect seriously on the usefulness of the interim estimates. This new tool was supposed to be put in place so that the main estimates, which have to be submitted soon, are better tailored to the budget statement that was brought down a few weeks ago now.

In vote 1 for the Department of Finance, you are asking for \$23.8 million, or about one quarter of what is required for the year. The same goes for the other departments.

Still in vote 1, at the very end, you talk about the “authority to enter into commitments not exceeding \$95,355,613 in the fiscal year for the purposes of this vote”. “This vote” is asking for \$23.8 million.

Why are you asking for the authority to enter into commitments not exceeding \$95 million or so? Why did you not just include that in the vote? Why are you going about it this way?

Ms. Adelle Laniel: As I understand your question, you want to know why we are asking for only 25% of the funds.

Mr. Pierre-Luc Dusseault: In vote 1, you are asking for \$23.8 million, but in the description of the vote, you ask for the authority to enter into commitments not exceeding \$95 million. I am wondering what is the use of interim estimates if you are asking for the amounts that will be requested in the main estimates to be submitted next month.

Ms. Adelle Laniel: A number of the expenditures that we have to make are long term. I understand your point of view that, by requesting funds pursuant to paragraph 32(1)(b) of the Financial Administration Act, we could be faced with a requirement to spend that money. When we enter into contracts, we consider the amounts that are set aside for them. A lot of the expenditures are related to salaries. These are not expenditures for products and services, which could represent a risk for us. We base our expenditures on a long-term plan.

Mr. Pierre-Luc Dusseault: Okay. The word we really have to focus on is “commitments”, I gather.

I would like to ask some more general questions. Other members have been given a lot of latitude and have been able to ask questions that do not specifically relate to the interim estimates. So I am going to give myself the same latitude by asking a question that I did not have the time to put to the minister.

Pay equity was a promise in the budget, but the promise comes with no amount allocated. Pay equity is something very important for the federal public service. Can any of you give me any explanation for this omission?

[English]

The Chair: Does somebody want to take a stab at that? Mr. Leswick?

Mr. Nicholas Leswick: The very short answer is that the methodology to implement a new pay equity regime is still under development and wasn't communicated in the budget, but the government has made a commitment to table legislation and obviously details before the end of the calendar year.

[Translation]

Mr. Pierre-Luc Dusseault: I have another question that I did not have the time to put to the minister.

The 2018 budget statement mentioned recovering \$184 million by 2022-23 by cracking down on tax evasion, whereas the Minister of National Revenue, as well as several other ministers, has stated that cracking down on tax evasion was going to enable the government to recover \$25 billion.

Why is there such a large difference between these two amounts? The amount announced is \$25 billion but, in the 2018 budget documents, the projected revenue from the fight against tax evasion amounts to only \$184 million by 2022-23.

• (1845)

[English]

Mr. Nicholas Leswick: I'll take a stab at the answer.

The \$25 billion is represented by CRA, and it represents the total annual value of all tax recoveries at both the federal and provincial levels across all compliance initiatives.

What's represented in the budget is a very small subset of new initiatives that would support compliance activities, for instance, in GST/HST evasion. Another example is non-resident income disclosure. Again, it is a very small subset of the larger \$25 billion of collections and compliance activities at CRA on an annual basis.

The Chair: Thank you.

Mr. McLeod.

Mr. Michael McLeod: Thank you to the presenters today.

I want to ask a question about the investment in indigenous people that we've seen in the budget. We've seen some significant investments in the last while, and it's made a lot of people happy that we finally have the attention of a government to try to move forward.

I represent the north, and we have huge challenges. Our suicide rates in the north are 20 to 30 times the national average. Some 50% of all first nations children live below the poverty line. The unemployment rate is double the national average. There are so many stats we could point to.

We're starting to see a lot of money coming forward, but it's spread out over many departments. The bulk of the money is coming through the two indigenous departments, the former INAC department, but there are 34 departments across this government that have money earmarked for aboriginal people.

I want to know what the role of the Department of Finance is in terms of providing oversight. Who's actually in charge of making sure the money is going where it's supposed to be going in terms of allocation and all these different checks and balances that we expect to have in place?

Mr. Roger Charland (Director General, Social Policy, Federal-Provincial Relations and Social Policy Branch, Department of Finance): Let me try to answer that question, because it's a fairly complex question.

It goes to the structure, if you will, of the various ministers, and their responsibilities, accountabilities, and portfolios. We at the Department of Finance will be working with all various departments in terms of what their roles are, and their programs and responsibilities. We'll be working with them and making some decisions in terms of the funding and the support in order to advance a cause.

When it comes to the machinery—I think fundamentally the question you're dealing with is the broader machinery of government issue—in terms of whether those programs should be spread or not spread, that doesn't fall within the purview of the Department of Finance. I think that's a broader question. We look at working with the departments.

There has been, and the government is committed to, a rethinking of what used to be called INAC and the two departments. Their consultation is going on right now in terms of what the responsibilities and roles of each of these departments should be. I think that's where part of the conversation is going, and we'll see where it lands fully in the coming months.

Mr. Michael McLeod: Thank you.

I totally agree with you on the financing arrangements and agreements with the different first nations and the Métis and Inuit. It's a very complex issue and hard to track. We have a national indigenous organization table for the Métis, one for the first nations, one for the Inuit, and one for the land claims coalition, but the land claims coalition is broken up into two, those who have settled land claims and those who have settled self-government. We have pots of money flowing here but not to there, and then we have some on reserve and some off reserve.

I was hoping that somebody was providing oversight so that we could really keep a good eye on how things are going. I'm not sure if money is flowing to all different aboriginal and indigenous governments across Canada. That's concerning, because some of those people are in my riding. We have a huge deficit when it comes to trying to bring indigenous people up to the Canadian standard of living. Many people have posed the question to me, how do we ensure that the money is sufficient so that we can try to tackle some of these big issues? They've suggested that maybe we should look at tying the investment to the GDP, a percentage of the GDP. Is that something we can consider?

• (1850)

Mr. Roger Charland: I think it would be inappropriate for me to comment on what may or may not be. There has been, in budget 2018, some investment; on the question of the new fiscal relationships, there has been some investment to support that dialogue. I think there have been a number of fronts with the various groups to ensure that these kinds of questions are being looked at.

Mr. Michael McLeod: I have one final question, then. We know that relative to the Canadian population, indigenous people are not benefiting from Canada's economic prosperity and wealth. Do we have, in terms of facts, research going on within Finance to tell us where we're at in terms of meeting the Canadian standards for indigenous people?

Mr. Roger Charland: I'm not sure whether we have all of that. I'd have to go back and check. I am not aware of all of this. I could undertake to see what it is we have at the department and communicate it back to the committee via the clerk.

The Chair: Okay.

You have time for a last short one, Michael.

Mr. Michael McLeod: Maybe the finance department could tell me what their mandate is in terms of what was in the mandate letter from the Prime Minister with regard to aboriginal people.

Mr. Roger Charland: I don't have the letter with me, so I'll have to paraphrase. I probably won't do justice to the text of the letter.

The main commitment is working with the Minister of Crown-Indigenous Relations and Northern Affairs on the new fiscal relationship and the question of removing the 2% cap.

The Chair: Thank you both.

We're now going to five-minute rounds.

Mr. Kelly.

Mr. Pat Kelly: Thank you.

My questions will likely be directed to you, Mr. Leswick, in part in reaction to some of what you said earlier in response to a question, but more to what the minister said in his remarks. He talked about the debt-to-GDP level, and how low the federal debt-to-GDP was in Canada, and then compared it with other jurisdictions, such as the United States and G7 countries.

Is that really a proper comparison, given that in the United States, for example, almost all significant social program expenditures, including medicare, medicaid, social security, and so on...? They have a federal department of education, and other services are funded federally. Is it proper to then not include provincial debt in that calculation to compare those two countries?

Do you know, and can you tell the committee, the debt-to-GDP level of all government debt, including crown corporation debt, which is important to consider as well?

Mr. Nicholas Leswick: Indeed. Thank you for the question, because it helps establish clarification.

The statistic that the minister quotes is an internationally comparable statistic. In other words, there are various adjustments made by the IMF and OECD to establish a common comparison of debt between countries. One of those adjustments is indeed the fact that we would add the value of provincial and territorial government debt into our debt metric. Likewise, the U.S. and other G7 countries would add their sub-sovereign levels of government into their debt metric as well. So it is on a comparable basis.

Extending it a little bit further, though, because the dynamics of government are so different in terms of how we, for instance, fund our social security schemes—we contribute assets into the CPP/QPP, whereas other jurisdictions just throw those premiums into their national revenues—it does become quite a set of adjustments.

I'm saying that quite objectively in terms of—

• (1855)

Mr. Pat Kelly: —to actually make apples-to-apples comparisons.

Mr. Nicholas Leswick: Yes, to try to make apples-to-apples comparisons, exactly. The IMF and OECD do these gymnastics, and then they publish this on a quarterly basis in order to update those comparisons.

Mr. Pat Kelly: Right.

The minister reacted quite a bit to my colleague Mr. Albas on this issue of total crown debt and the \$1 trillion. You pointed out the necessity of delineating these two numbers, and yet the government has used the concern over this total debt in its housing policy, which has resulted in taking home ownership out of the hands of many Canadians in many markets that are not the concern of the department. It sounded almost like having it both ways. The total debt numbers...if that's what policy is going to be driven from, including housing policy, then ought that not be the total debt number you use?

Mr. Nicolas Moreau: The total debt numbers we are using are as a result of the new borrowing authority framework the government put in place in 2017. The objective was to be more transparent, and therefore we wanted to include all our debt, all the debt the government needs to finance on the market. That included the crown corporation debt. That's why right now we talk about the \$1 trillion. In 2017 we got our borrowing authority for the next three years of \$1.168 trillion. It's because of increased transparency that we're referring to that number right now.

Mr. Pat Kelly: I've finished.

The Chair: Okay, then we go back to Mr. Fergus, and then Mr. Poilievre.

[*Translation*]

Mr. Greg Fergus: Thank you very much, Mr. Chair.

My thanks to all the witnesses for coming to meet with us today.

I have to tell you that I love this new system, these changes to the budget process. In my opinion, it makes a lot of sense.

I have two questions and I will start with the more general one.

How does this new way of handling the main estimates affect you in the Department of Finance? What impact will it have on the Department of Finance?

Ms. Adelle Laniel: We have to submit our funding requests regularly. We have to clarify and document it all, and that adds to the administrative process in the department. However, it puts us in a more stable position in handling the requests in the main estimates.

Basically, it has not had a major impact on the department.

Mr. Greg Fergus: Okay.

My second question is more specific, perhaps even a lot more specific.

We have examined the tables prepared from the data from the Treasury Board Secretariat. Let me quote the exact source: it is in the interim estimates, 2018-19, schedule 1, on page A-12. For vote 5, we see that the Department of Finance has to pay one dollar in program expenses under the Bretton Woods and Related Agreements Act.

Can you tell me why the amount is only one dollar?

Mr. Rick Stewart (Assistant Deputy Minister, International Trade and Finance Branch, Department of Finance): I can try to explain that to you.

Mr. Greg Fergus: Please. Good luck!

Mr. Rick Stewart: If I may, I will answer the question in English because it really is a technical matter.

Mr. Greg Fergus: Go ahead.

[*English*]

Mr. Rick Stewart: The transfer payments to the International Development Association, part of the Bretton Woods system, that's a legislatively based payment.

Mr. Greg Fergus: How much in total?

Mr. Rick Stewart: Well, for this fiscal year, it is a total of \$441.61 million, and that goes to the World Bank to support its concessional window development funding programs.

Mr. Greg Fergus: Okay.

Mr. Rick Stewart: Because it's legislatively based, it doesn't need to be voted on through the full appropriations, but there does need to be appropriation authority to make that legislative payment. As I understand the technical aspects of this estimates accounting mechanism, that is why there is an appropriation request for \$1 that provides the appropriation authority for the ministry to make that legislative payment to an international financial institution.

• (1900)

[*Translation*]

Mr. Greg Fergus: Thank you for the explanation.

[*English*]

Mr. Rick Stewart: That's the best way I can explain that.

[*Translation*]

Mr. Greg Fergus: I was a little confused. I was actually expecting an amount in the region of \$500 million, but there it is: one dollar.

Are there other situations with a similar procedure? Can you tell us of any other disbursements of this kind that require a placeholder of one dollar?

[*English*]

Mr. Rick Stewart: Not in the realm of my responsibility for the international financial system payments the Department of Finance makes, no. This is unique.

[*Translation*]

Ms. Adelle Laniel: There are no others in our requests. Some amounts could be adjusted or made more specific, but this is the only case of this kind where we have an amount of one dollar.

Mr. Greg Fergus: Thank you.

[*English*]

The Chair: Mr. Poilievre.

Hon. Pierre Poilievre: I gather that this Saturday we will reach a real milestone. Bill Morneau will become the trillion-dollar man, as Canada will reach a trillion dollars in borrowing at the end of this week.

Now, the government has talked a lot about its new debt promise, distinct from the old one. The old one was that they would balance the budget by 2019 and that the deficit would never exceed \$10 billion. The new one is just that the debt-to-GDP ratio at a federal level will decline.

I want to ask you whether that measurement is really complete if we're trying to determine what level of debt the Canadian economy can withstand. The federal government is one level of government. We have provincial governments, which have additional debt, and then municipalities, which in some cases do issue their own debentures that have to be paid by payers of property tax.

On top of that, we have corporate debt and personal debt. These other levels of debt are important because the same taxpayers who will be expected to shoulder the higher servicing costs that you anticipate in the federal budget framework are carrying their own personal debt. The \$2-trillion economy we have is not just supporting the \$651-billion federal debt. It's also supporting the provincial debt and the household debt.

Gluskin Sheff's chief economist, Dr. Rosenberg, did a calculation a month ago now showing that the combined Canadian debt—personal, corporate, and government—as a share of GDP is higher than debt levels in 15 or 20 other countries, including Greece, Italy, and Spain.

Do you not believe that the government should look at the overall debt burden of the Canadian population when determining how much the federal government can afford to borrow?

The Chair: Mr. Leswick, would you like to take that on? I know that you can't get into the political decisions that are made, but go with it where you might.

Mr. Nicholas Leswick: If I could just acknowledge the question, to be very brief, indeed, we would have to consider the entire debt load that the national economy is supporting from a corporate, household, and total government basis.

Again, when you talk about interest rate sensitivity, it's what is the ability of a household to withstand interest rate increases against their household debt payments, which are predominantly, as the minister suggested, two-thirds of the mortgage payments, likewise the balance sheets of provincial, territorial, and local governments. Then again, as we talk increasingly in a higher yield environment, what is the ability of the corporate sector to incentivize its own investment in the face of higher corporate spreads and higher yields?

Hon. Pierre Poilievre: If you think of the Canadian economy as being a workhorse, and then the debt loads being in the wagon behind that workhorse, it's one thing to say, "Well, the federal government's debt load, we can put that in the wagon and the horse can pull the wagon." But that does not remember the fact that the horse also has to pull provincial debt, municipal debt, corporate debt, and then the massive personal debt. Those are all in that wagon as well, so when we consider increasing the weight of the federal debt in that wagon, ought we not to look at the other weight that the Canadian economy is pulling?

• (1905)

Mr. Nicholas Leswick: Absolutely, to completely acknowledge the point that's being made. Again, it's about the distribution of debts too. We want to maintain a growth track so that we don't unduly pull back on growth by suffocating the corporate, government, or household sectors from acquiring credit, making purchases, or investing in new homes or machinery and equipment, so it's a little bit about the distribution of that debt across the various sectors that you talk about as well.

Hon. Pierre Poilievre: Does Finance Canada have an economy-wide measurement of debt that includes personal, corporate, and government debt?

Mr. Nicholas Leswick: Yes, sir. We absolutely do.

I do not have the metrics at my fingertips, but of course, working with partners across government, we have a keen eye on—

Hon. Pierre Poilievre: Could you provide that to the committee?

Mr. Nicholas Leswick: Absolutely.

Hon. Pierre Poilievre: Excellent. Thank you.

The Chair: You can provide that to the committee.

We're out of time, and I don't really want to get into this discussion, but if you have no investment, your economy's going nowhere. You can't be all of one and none of the other.

I've been in business, and if you don't make investments.... Yes, you'll have debt, but you have to make investments to get growth, too, right?

Mr. Sorbara.

We will have time for one more if there's anyone else.

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

Welcome, everyone.

I have a quick question. On the term "market debt", does that include the debt of the CMHC and of related entities, like the CMB and NHA programs?

Mr. Nicolas Moreau: Yes, when we talk about the market debt, the \$1 trillion, we include the NHA MBS.

Mr. Francesco Sorbara: Just for my colleagues across on the other side.... The debt that's for CMHC literally is.... We're talking about millions of Canadians sitting at home tonight who purchased a home, who had less than a 20% down payment on their home, and who were required to buy the insurance on their home. That \$400-plus billion of market debt that's out there is basically Canadians' homes.

Is that correct?

Mr. Nicolas Moreau: Yes. That debt is backed against....

Mr. Francesco Sorbara: Which is backed against the security of their homes.

Mr. Nicolas Moreau: It's backed against mortgages, yes, exactly. There are assets behind that.

Mr. Francesco Sorbara: So, for people sitting at home tonight—while they pontificate about this number over there—literally half of that number is the assets, the greatest single asset that every single Canadian family has: their house.

Is that correct, sir?

Mr. Nicolas Moreau: It's true; it's backed against assets.

Mr. Francesco Sorbara: Yes, it's totally true, Pierre.

CMHC was created in the 1940s to allow Canadians...to encourage home ownership. Market debt includes CMHC debt.

Is that correct, sir?

Mr. Nicolas Moreau: That is correct.

Mr. Francesco Sorbara: Thank you.

Would you like to continue, Pierre?

Hon. Pierre Poilievre: Sure, thank you.

Mr. Francesco Sorbara: No, no, you can stop now. It's not your time.

The Chair: You'll have time for another question after.

Hon. Pierre Poilievre: Sir, he just offered me his time, so I'm just taking him up on that.

The Chair: No, he didn't.

Mr. Francesco Sorbara: It was a rhetorical comment.

Hon. Pierre Poilievre: You have to be careful how you word your questions [*Technical difficulty—Editor*].

Mr. Francesco Sorbara: We understand that, and hopefully... Most times it's not very substantive.

My next question is in terms of the reform of the interim and main estimates. When I first came to Parliament Hill, even with a finance background it was very difficult for me to discern between the budget process and this thing called estimates. It goes back to the comment from Mr. Moreau on transparency. I believe we've improved it considerably, and our government has put it forward.

Can someone please provide some feedback on that line in terms of how we've improved that estimates process for MPs, including myself and other people who will have the privilege of sitting here in the years to come?

Ms. Adelle Laniel: Earlier, when I was asked about the new main estimates process and how it impacted our current process, I only addressed the interim side. I didn't address the mains side.

The fact that we'll be producing the mains later in the process will make the information in those mains more up to date. It will have the budget information somewhat in it. Obviously, there will be some funding that we'll have to do after, but it will contain more up-to-date information, which will improve the transparency.

Mr. Francesco Sorbara: Thank you very much.

I have a final comment for Mr. Leswick.

In terms of our debt-to-GDP ratio, we're on a declining trend, if I ascertain that. On a percentage-of-GDP basis, how did we rank against the other G7 countries, including our principal trading partner, the United States?

• (1910)

Mr. Nicholas Leswick: I'll just repeat the message that the minister conveyed: we have the lowest net debt-to-GDP ratio on this internationally comparable standard in the G7.

Mr. Francesco Sorbara: And our credit rating is...?

Mr. Nicholas Leswick: It's AAA with a stable outlook.

Mr. Francesco Sorbara: How many countries in the world have an AAA rating?

Mr. Nicholas Leswick: I think there are a handful.

Mr. Francesco Sorbara: There are fewer than probably five, maybe: Australia, Germany—

Mr. Nicholas Leswick: No, not Australia, not with a stable outlook. There are a few more AAAs, but there are just about a handful with a stable outlook: Liechtenstein, and some other...

Mr. Francesco Sorbara: I believe most of the rating agencies have opined on our finances in the recent past and reaffirmed our ratings, if I'm not mistaken.

Mr. Nicholas Leswick: As I said...a stable outlook, yes.

Mr. Francesco Sorbara: Thank you.

The Chair: Who wants in? Mr. Poilievre and Mr. Dusseault.

Before I turn to them, I hear that we seem to have slipped money on infrastructure spends in that the spending that's planned doesn't happen, which is really sad because that creates economic growth, too.

How is that accounted for, and where are we at on the spending on infrastructure? What had we planned to do, and where are we at currently?

Mr. Botham.

Mr. Richard Botham (Assistant Deputy Minister, Economic Development and Corporate Finance Branch, Department of Finance): I'm looking for the reference in the text. I want to make sure I give you the right numbers.

The Chair: It's partly because it's negotiation with the provinces and communities, but we predict certain spending and we never seem to get it spent. That happened with the previous government; it happened with the previous, previous government; and it's happening with this one. How is that accounted for?

Mr. Richard Botham: In the last budget the government provided a reconciliation of spending through infrastructure programs, both those that are referred to as legacy programs, which predate the current government, and in some cases predate the previous government, as well as programs introduced by the current government in the first phase of the infrastructure plan, so that was in budget 2016, and then in budget 2017.

I'm just trying to find what might be the best expression of that on an aggregate basis. If I look at the legacy program, pre-2016, I see there's funding that has been moved from the previous fiscal year, the coming, and the subsequent into future years, so why, in that case? Those programs are old enough that it really has to do with projects that were planned to go ahead and didn't, and those funds have been allocated to new projects that are brought forward by municipalities and provinces.

The Chair: Okay.

We'll have Mr. Poilievre, and then Mr. Dusseault, and then we'll wrap it up.

Hon. Pierre Poilievre: Mr. Sorbara made the mistake of confusing the Canada Mortgage and Housing Corporation with a mortgage lender. It's not a mortgage lender, it's a mortgage insurer, so the Canadian people don't owe the money for their houses to the Government of Canada, as he had stated. They owe it to lenders for whom, sometimes, the insurer is CMHC.

There is a corresponding liability with that insurance in that if there is a mortgage default loss, that loss goes to CMHC. There are certainly billions of dollars in the coffers of CMHC to protect against those losses, but that is distinct from believing, as Mr. Sorbara apparently does, that Canadians will be paying CMHC mortgage payments, with the exception of about \$75 billion of mortgages that the CMHC purchased during the financial crisis in late 2008. That is not something CMHC does.

That being said, I am glad he highlighted CMHC because across the spectrum, financial experts agree that we have overpriced housing in very large markets across this country, particularly Toronto and Vancouver. That is a major risk, particularly as interest rates rise.

The ability of Canada to withstand a significant rise in interest rates, and the consequential reduction in housing prices in those markets is really at question. That kind of risk should lead us now, while times are good in the world economy, to store away our financial resources rather than building up debt that future generations will have to withstand.

I wonder if the assembled witnesses are interested in commenting on risks that are associated with Canada's high level of personal debt and the inordinately high housing prices in major Canadian markets.

•(1915)

The Chair: Does anybody want to comment, or can anybody?

Go ahead, Mr. Leswick.

Mr. Nicholas Leswick: Some of the regional housing market dynamics that have played out over the last two years are definitely something we're monitoring very closely at the Department of Finance. You've seen the government take action in terms of the measures it put in place in 2016 in increasing the down payment requirement, and working with partners such as OSFI in implementing the most recent stress test on uninsured mortgages.

Price inflation, namely in the Vancouver and Toronto markets, has been pretty high. It goes without saying that we anticipate some moderation or correction in those markets, for two reasons. One reason is that we want to make sure those markets can maintain a resiliency and they don't get so overheated that we can't pull them back; and, two, behind these house prices are interested new entrants into the housing market. We have to make sure that we straddle this financial stability and housing affordability issue.

The Chair: Mr. Dusseault—

Hon. Pierre Poilievre: Can I have one more question?

The Chair: Very, very short, because we have to get the last questioner in.

Hon. Pierre Poilievre: We learned that for the estimates to fund this budget, the government is going to seek what's called a central vote for about \$7 billion worth of spending. Typically when governments seek authorization, they do it on an item-by-item basis,

by department and agency, meaning that the money has to go where it is voted.

Will this central vote specifically and legally commit the government to spending the \$7 billion in amounts in the budget on the agencies and departments for which they are set out, or will Treasury Board have the ability to move that money across agencies and departments?

Mr. Nicholas Leswick: Very respectfully, I think it's probably better that when the main estimates are ultimately tabled, TBS officials speak to the construct and engineering around that—

The Chair: We know one question that Pierre is going to ask the Treasury Board.

Mr. Dusseault, last question.

[*Translation*]

Mr. Pierre-Luc Dusseault: I will be brief, Mr. Chair.

My question deals with the government's forecasted revenues, according to the 2018 budget statement. The forecast is for a 6% increase in revenue from personal income tax, which represents an increase of almost \$10 billion. However, the revenue from corporate income tax shows a decrease of 1.9%, almost 2%, between the amounts in 2017-18 and 2018-19.

The economy is growing, which means that companies must be doing well. How do you explain a decrease in revenue from corporate income tax?

[*English*]

Mr. Nicholas Leswick: It's not that there are less taxes; it's that there are less taxes than were anticipated at the time of the fall update. There is a pullback in the forecast. Part of that is that corporate profits haven't quite played out, in terms of the profit track, as we thought they would in the fall. Likewise, this is usually the time of year where we get to call a number of corporations, namely banks and large resource companies, to get an understanding of how they're going to treat their 2017 tax returns, and more specifically how they're going to carry forward or carry back losses.

The corporate tax regime in Canada is very difficult. We have a very generous ability to take losses and apply them against previous year's taxable income or carry them forward into future years, thus forecasting corporate income taxes is incredibly difficult. Those two factors, the corporate profit track change between the fall update and the budget, and the anticipation of how the losses will be treated in the corporate sector, are what gave rise to the revision in budget 2018.

•(1920)

The Chair: At that, we'll have to call it quits.

Thank you very much to all the witnesses for coming forward, and your answers.

The meeting is adjourned.

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