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• (1500)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): Welcome to meeting number 27 of the House of Commons Standing Committee on Finance. Pursuant to the order of reference of Tuesday, March 24, the committee is meeting on the government's response to the COVID-19 pandemic.

Today's meeting is taking place by video conference and the proceedings will be made available on the House of Commons website.

I'll not go through the technicalities. We've been through them a number of times. However, I would emphasize that the use of a headset with a boom microphone is highly recommended. It makes it an awful lot easier for those who are translating, and I'd ask people to speak as slowly and as clearly as they can.

Before I turn to our witness, the Parliamentary Budget Officer, I want to give MP Morantz a minute for an opening remark on the anniversary he casually mentioned just before I called the meeting to order.

Marty, the floor is yours.

Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC): Mr. Chair, thank you very much for giving me a moment.

Today, my home province of Manitoba celebrates its 150th anniversary. It was on May 12, 1870, that we officially became a province, the fifth to join Confederation. The resilience of our prairie spirit, of over 1.3 million Manitobans, has never been more on display than it is now as Manitobans from all walks of life come together as we fight against COVID-19.

Throughout these 150 years, Manitobans have persevered through tough times and celebrated the good times. Today and all days, I am truly proud to be a Manitoban.

Happy 150th anniversary, Manitoba.

Thank you, Mr. Chair.

The Chair: Thank you, Marty.

Happy 150th from all of us as well.

Mr. Marty Morantz: Thank you very much.

The Chair: We will turn to our witnesses today from the Office of the Parliamentary Budget Officer: Yves Giroux, the Parliamen-

tary Budget Officer; and Ms. Yan, the director of budgetary analysis.

Parliamentary Budget Officer, you're on. I assume that you have an opening statement, and we'll go from there.

Mr. Yves Giroux (Parliamentary Budget Officer, Office of the Parliamentary Budget Officer): Yes I do, Mr. Chair.

Good afternoon, Mr. Chair, vice-chairs and members of the committee. Thank you for the invitation to appear before you today in our first virtual appearance before this committee.

We are pleased to be here today to discuss our recent COVID-19 economic and fiscal analysis.

With me today I have Dr. Xiaoyi Yan, who is the director of budgetary analysis in my office.

Our work to date has included the publication of three scenario analysis reports on the impact of the COVID-19 pandemic and oil price shocks. Our scenario analysis reports are designed to help parliamentarians gauge the potential implications of the COVID-19 pandemic and oil price shocks on the Canadian economy and the government's finances. The analysis provides a plausible illustrative scenario. It is not a forecast. This scenario analysis is updated regularly as more data and information become available.

Our latest scenario analysis update report, which was published on April 30, incorporates new federal measures announced up to and including April 24. Our updated economic scenario assumes real GDP in Canada to decline by 12% in 2020, which would be the worst on record since the series started in 1961.

Under this scenario, the budget deficit would increase to \$252 billion in 2020-21, which would make it, relative to the size of the Canadian economy, 12.7% of GDP. The federal debt-to-GDP ratio would rise to 48.4% of GDP in 2020-21. These latest fiscal results include the \$146 billion in federal budgetary measures that have been announced as of April 24, based on Finance Canada and PBO cost estimates. These numbers do not take into consideration measures announced after April 24. Their inclusion would increase the federal deficit by a few billion dollars.

My office has also produced independent cost estimates of a number of the components of the government's COVID-19 economic response plan, including the Canada emergency response benefit, the Canada emergency wage subsidy and the Canada emergency business account among others. Based on our analysis, the estimated cost of the Canada emergency response benefit is \$35 billion, while the Canada emergency wage subsidy is expected to cost \$75 billion and the Canada emergency business account just over \$9 billion.

To date, budgetary measures announced by the government are intended to be temporary. Once the budgetary measures expire and the economy recovers, the federal debt-to-GDP ratio should stabilize. However, if some of the measures are extended or made permanent, the federal debt ratio could keep rising.

Xiaoyi and I would be pleased to respond to any questions you may have regarding our COVID-19 analysis or other PBO work.

Thank you, Mr. Chair.

• (1505)

The Chair: Thank you very much, Mr. Giroux, and thank you for the important work you do.

I will go through the list and then come back to the first questioner.

First up in the six-minute round will be Mr. Morantz, then Mr. Fraser, Mr. Ste-Marie and Mr. Julian, and then we'll move on to Mr. Poilievre in the next round.

Marty, you're on.

Mr. Marty Morantz: Thank you again, Mr. Chair.

Mr. Giroux, you mentioned in your opening remarks and reported earlier the \$252-billion forecast deficit, which is an historic number. My recollection across my lifetime is that it has never been higher than around \$40 billion before.

Do you have an analysis of what portion of that deficit would be attributable to the expenditures and the retraction in the economy directly related to COVID, and what portion would have been incurred in the ordinary course? In other words, if this COVID crisis had not happened, what would your deficit forecast have been for 2020-21?

Mr. Yves Giroux: We estimate that the economic downturn itself is responsible for about \$70 billion in revenue decline.

Of the \$252 billion, about \$70 billion is due to reduced revenues, \$146 billion is due to increased expenditures directly related to COVID-19, and we had already expected a deficit, the amount of which I'll go through my numbers and find for you here.

Before COVID-19, we expected the deficit to be \$23 billion in 2020-21. We will very likely be going from \$23 billion to well over \$250 billion.

The various components are, as I mentioned, \$23 billion of deficit, \$146 billion in budgetary measures and about \$70 billion in reduced revenue.

Mr. Marty Morantz: Thank you.

I know that yesterday there were some news reports. It appears that some public servants have been asked to essentially ignore evidence of fraud in some of these programs. At this point in time, that seems to be what has been alleged, at least, by the media.

Given the staggering number that you just talked about, essentially a tenfold increase in the deficit, do these reports concern you from your perspective as the PBO?

Mr. Yves Giroux: It's certainly concerning to me, not only as the PBO but as a taxpayer, when I hear there is a possibility that fraud or abuse of government benefits would not be countered or would not be closely monitored.

That said, in our cost estimates we don't factor in fraud or the abuse of systems. We make various assumptions as to the number of individuals who would be eligible for these benefits, but we don't top up our estimates to take into consideration abuse or fraud.

Mr. Marty Morantz: Then, in simple terms, the deficit could be higher if these allegations are, in fact, correct.

Mr. Yves Giroux: Sadly, yes. If there is widespread fraud or abuse of these benefits, the expenditures will be commensurately higher.

• (1510)

Mr. Marty Morantz: Okay. Thanks for that.

On the operating budget side, in 2019 the debt-servicing costs in the operating budget were about \$23.3 billion. Assuming that your numbers are accurate and there is no real increase for fraud, and we go with a number of \$252 billion, what do you expect the actual increase in the cost of debt servicing will be, drawn against the operating budget?

Mr. Yves Giroux: Assuming that we indeed have a deficit of about \$250 billion, we anticipate that debt charges will not go up, which is surprising and counterintuitive. It's due to the fact that interest rates are so much lower than what we'd anticipated them to be just two or three months ago. With interest rates being so low, it doesn't cost that much to finance that growing debt.

For example, the government can issue 10-year bonds and pay less than 1% in interest rates, which are levels that we have rarely seen in our lifetime. We don't anticipate these interest rates to rise significantly over the coming months, due to the poor economic conditions.

Mr. Marty Morantz: Mr. Chair, perhaps I have time for one more question.

On the deficits, we had heard reports in the past that the federal government might not have the budget back in balance until around 2040. Based on what has happened, and again, this is a whole new world, what is your sense of when the federal government might actually be in a position to bring the budget back into balance? How many years?

Mr. Yves Giroux: Your guess is probably as good as mine when it comes to that. With a deficit of that magnitude, it will very likely require significant efforts for the budget to return to balance. It would require letting the temporary programs expire, but also probably having a strict control on expenditures or other kinds of policy actions, such as tax increases, unless we're blessed and witness unprecedented growth coming out of the pandemic.

Mr. Marty Morantz: Thank you.

Mr. Chair, do I have time?

The Chair: No, you're a little over, but that's fine, Marty.

Thank you, both.

We'll turn to Mr. Fraser and then to Mr. Ste-Marie.

Sean.

Mr. Sean Fraser (Central Nova, Lib.): Thank you very much for joining us today and for your thoughtful analysis, as always.

I want to pick up on a line of answers to one of Mr. Morantz's questions about the carrying costs of this debt. You've indicated, essentially, that the cost of carrying this is not likely to increase. Is it because the rate of interest being paid on any monies borrowed is lower than it was previously, or is it just that it was so low to begin with that, more or less, the cost of borrowing is so close to zero that it doesn't impact the overall number?

Mr. Yves Giroux: It's a mix of both. Historically, interest rates have been higher than what we have seen in the last several years, so even before the pandemic started, the government could borrow at very low interest rates. The pandemic has pushed these rates to even lower levels, which very few people thought would be possible, but it did happen. Therefore, the government can now finance its debt.

There are the new borrowings, as well as the debt that is maturing and has to be refinanced at very low rates—which are below 1% for a 10-year bond and barely around or above 1% for a 30-year maturity—so it's a combination of already low interest rates before the pandemic and even lower rates since the onset of the pandemic.

Mr. Sean Fraser: The reason I ask is that one of the last times you joined us—we were in the flesh at committee—was following your late-February report on the sustainability of federal and provincial finances.

I believe one of the lines of questioning that I got into at the time involved the cost of borrowing on 30-year bonds. I think I referred to it as 0.709% or something in that order. One of the things that you indicated to us during your testimony was that there was essentially about 38 billion dollars' worth of—I hesitate to call it wiggle room—spending or reduced taxes before the fiscal picture would become unsustainable.

Is it your view that, because there was such a wide gap between the existing expenditure plans and that cap on sustainability, once the economy stabilizes, despite this additional \$252 billion of public debt, we will be able to continue to operate sustainably?

• (1515)

Mr. Yves Giroux: It is quite possible that, once the pandemic is over and we return to what will be the new normal, the finances of

the nation will still be sustainable. That being said, it's very difficult to say that with a high level of certainty at this point, because we don't know yet what the new normal will look like. We don't know when the new normal will be, and the most important thing is that we don't know what level of government expenditures will be necessary once we cross that awful divide, that awful gap that is COVID-19.

Depending on what the world looks like when we have finally crossed that bridge and have returned to the new normal, it may well be that government finances are sustainable if we are able to return to a deficit level that is much lower. However, it's very hard to predict with some level of certainty.

Mr. Sean Fraser: Do I have time for a final question, Mr. Chair? Excellent. Thank you.

One of the points that the former governor of the Bank of Canada made.... Actually, it was Kevin Milligan, an economist who joined our panel. One of the points that he made during his testimony was that it's not government expenditures that have created this debt, but in fact, the virus itself. We had a choice to make as to whether we would let private individuals, businesses and municipal, provincial and federal governments bear the costs of the response. I thought that was an interesting way of putting it because a choice to not respond, obviously, would have come at an enormous cost as well, and largely would have downloaded that cost onto private individuals, other levels of government and businesses.

I'm curious to know if you have the ability to analyze what the cost of a more limited intervention would have been across our economic system in Canada.

Mr. Yves Giroux: That's a very interesting question. We have not modelled the cost of not intervening or not supporting businesses and individuals to the same level, but it's something that would certainly be of great intellectual benefit to me and many economists and policy-makers in the country.

I'm not sure, however, how precise such an exercise would be. Because of the unprecedented nature of the current shock, it would be very difficult to determine what would be the impact of a lower level of intervention or different types of intervention, given that we're navigating in very uncharted territory.

The Chair: We have time for a very short one, Sean.

Mr. Sean Fraser: Okay, I'll squeeze one last one in.

I just want to put in perspective the total cost of the expenditures that we're putting out there. Obviously, they're substantial. I think Canadians appreciate that. After the debt is incurred to pay for these expenditures, where does that put our debt-to-GDP ratio compared to historic highs? Are we in the territory of breaking any records here?

Mr. Yves Giroux: Assuming that 2021 is the only year where we have a deficit, which is far from being certain, we would have a debt-to-GDP ratio of 48%, which is still some percentage points away from the record that was reached in the mid-1990s when it was 66.6% of GDP. You may remember that at that time The Wall Street Journal deemed Canada to be an honorary member of the third world, so we're far from that.

It wouldn't, however, take that many more years of deficits of that magnitude for Canada to reach that level of debt-to-GDP.

Mr. Sean Fraser: Thank you.

The Chair: Thank you both very much.

We'll turn now to Mr. Ste-Marie and then to Mr. Julian.

Gabriel.

[*Translation*]

Mr. Gabriel Ste-Marie (Joliette, BQ): Thank you, Mr. Chair.

Hello, Mr. Giroux. I'd like to start by commending you and your team on the outstanding job you're doing during this crisis. Based on the number and quality of your publications, it's clear you're not slacking off. Far from it.

Let me start with a brief observation. You reminded us about the debt-to-GDP ratio from the mid-1990s. As we know, the solution that the federal government of the day came up with was to punt the problem to the provinces by cutting transfers, including health transfers. Obviously, we hope to see a near-term solution to the fiscal imbalance.

My first question is about accounting for loans and loan guarantees. The government has freed up nearly \$200 billion for loans and loan guarantees. We don't know where it will end, because Canada seems to have unlimited money now. But Parliament only votes on spending. All those loans and guarantees won't become spending until they're written off in 10 years' time. By then, it will be too late to exert even a modicum of control.

Do you and your team think there's some way to get more control over what's being done? What would you suggest?

• (1520)

Mr. Yves Giroux: That's a good question. I was asked this question during the last Parliament with regard to the practice of all governments of granting loans and then writing some of them off if the borrower defaults. This leaves parliamentarians out of the picture, since they never vote on those loans.

To give parliamentarians some control over debt levels and over these loans, which can result in write-offs and significant costs to the Crown, it would probably be advisable to allow parliamentarians to vote on the maximum limits to which debt can be increased by Crown corporations and government entities.

As you mentioned, the Crown does stand to make a net profit, albeit a small one, if the loans are granted at commercial rates. However, as we saw two years ago with Chrysler, sometimes the debt has to be written off. That means significant losses for the treasury that have not been formally approved by parliamentarians.

A mechanism allowing MPs and senators to vote on increases to loan limits would probably be appropriate. But that's obviously up to parliamentarians.

Mr. Gabriel Ste-Marie: Thank you, Mr. Giroux.

As we know, Chrysler got \$2.5 billion two years ago. It's troubling.

Your work involves calculating the overall cost of measures, but you don't do any detailed tracking of the spending. For instance, how much money is actually being spent? What type of companies are receiving the Canada emergency wage subsidy, or the large employer emergency financing facility that was announced yesterday? It's not the details that interest me so much as aggregate data that would show whether the money is going to small or medium-sized enterprises or large corporations, or which sectors of the economy are getting the most.

Do you think that's something that could be done? As things stand, parliamentarians lack the tools to exercise any real control over the massive spending that's happening right now and make sure the money is going to the right economic priorities.

Mr. Yves Giroux: It's a very relevant question about an issue that my team and I are concerned about. I've actually sent about 20 requests for information to various departments in the hope of tracking those measures.

We've asked for monthly, weekly or bi-weekly status updates, depending on the measures, to find out how fast the funds are being delivered and how much take-up the programs are getting from Canadians and businesses. We will then be able to do some follow-up that will be useful to us in the coming months. We've already thought about that.

So far, the departments seem to be pretty co-operative, although most of them have yet to respond. But I feel optimistic, and I think they're going to collaborate and provide us with the information, so that my office and I can inform parliamentarians about the progress of the government's efforts with regard to the support measures.

Mr. Gabriel Ste-Marie: I'm glad to hear it. Thank you. We look forward to reading your upcoming analyses.

Since this crisis began, you've been working tirelessly to calculate the cost of each measure as it's announced. Sometimes you have to adjust your calculations because the programs are being announced one by one and can even change after the fact.

To better assess the government's overall response, do you think the government should present all of its measures in a single document, like in a budget update, for instance?

• (1525)

Mr. Yves Giroux: I would probably have two answers to that.

The first is that it's very clear to me that it's past time for the government to table an economic update, or at the very least a budget update. Of course, it's hard to have an economic update at a time of tremendous uncertainty, but the government could do a budget update setting out all the revenue it expects to receive and, most importantly, its planned spending from the start of the crisis and over the coming months. That would be very important for parliamentarians, but also for all Canadians.

The second answer is kind of cynical. If the government doesn't want to do this, I would be happy to do it myself with the limited information at my disposal. It would be a way for me to keep parliamentarians and Canadians informed. The amount of information obviously wouldn't be the same because I don't have access to information that's discussed in cabinet, but I could still keep you reasonably informed. The lack of government figures means more visibility for my office's work. That's my opportunistic answer, if you will.

Mr. Gabriel Ste-Marie: Thank you.

[English]

The Chair: Thank you, both.

We'll turn to Mr. Julian, and after him we'll go to the five-minute rounds. I think we have lots of time. Mr. Poilievre is after this.

Peter.

Mr. Peter Julian (New Westminster—Burnaby, NDP): Thank you, Mr. Chair.

Thanks very much, Monsieur Giroux, for being here again with the finance committee, virtually this time. You've been very generous with your time with us. We certainly hope your family is safe and healthy, as well as the families of everybody working for the parliamentary budget office. You play an important role in our Parliament.

My first question to you is very simple.

You've talked about the debt-to-GDP ratio coming out of the pandemic, or what we hope will be the rebuilding phase out of the pandemic. How does that debt-to-GDP ratio compare with the level we had after the Second World War, which also was a period of intense spending and rebuilding our infrastructure and building a social safety net? How does it compare with other countries that have a strong social safety net in place?

Mr. Yves Giroux: It compares favourably to what we had as a country coming out of the Second World War. However, comparisons with World War II have to be taken with a grain of salt because the system of national accounts was different back then. In the 1940s we didn't talk about GDP, gross domestic product, we talked about gross national product, which took into consideration the production of Canadians, regardless of where they were in the world. That's one difference compared with the GDP, which takes into consideration production within the physical boundaries of Canada. There were differences, but by and large, we're far lower than we were coming out of World War II.

Compared with other countries that have reasonable safety nets, G7 countries are a good point of comparison, and we are probably the lowest or second lowest. We have the second-lowest debt-to-GDP ratio of the G7. There are countries, such as the U.S., that are close to or above 100%. Japan is above 200%, which I sincerely hope we don't get to. We are in a very good position when we compare ourselves with our international competitors: Italy, Japan—as I mentioned—and France. Germany is probably in a very good position, but the U.K. and the U.S. have higher debt-to-GDP levels than we do.

Mr. Peter Julian: Thank you for that because I think, obviously, there is going to be some pressure from Bay Street to push austerity models. We're seeing many people, of course, who are struggling to make ends meet, so the idea of austerity coming out of the pandemic does not make any sense.

You have traced, I think, a possible path coming out of the pandemic, and that's with your landmark report from last year, your call that came on the final day of our last Parliament. On June 21 you presented a landmark report, "Preliminary Findings on International Taxation", talking about the impact of international tax havens on taxes in Canada. In the conclusion you said it would represent, if we include electronic funds transfers, "approximately \$164 billion in taxable income and \$25 billion of tax revenues lost."

Since that time, have you been able to see additional figures? You said at the time, on June 21, that this was a relatively conservative estimate. Do you have an idea now of the upper threshold of those tax revenues, the monies that we have in common to make investments in programs and jobs, and how much of that is not part of what the federal government should be collecting?

● (1530)

Mr. Yves Giroux: We have built a bit on that work since then, notably in response to requests from various political parties during the electoral campaign to cost various measures to combat tax evasion or to tax web giants that have income that they repatriate to their home countries or to their head office countries, which are often in tax havens. We haven't built up or refined the estimate of \$25 billion that was mentioned in our report of last June, but we have refined our understanding of various types of aggressive tax planning, and in some cases, tax evasion and tax avoidance. It's unfortunate that I cannot provide you an updated number to that \$25 billion, but we have a much better understanding than we had then. We also have a much better understanding of the high-net-worth individuals and the various types of arrangements they enter into to minimize their tax bills.

For example, we have a report in the making about high-net-worth individuals and how wealth is scattered or attributed by income level. We have a report in the making that will outline the share of wealth held by various types of families, showing that, unsurprisingly, a very high proportion of net wealth is held by a small fraction of the population. We are refining our understanding of the whole phenomenon of tax avoidance and tax evasion.

Mr. Peter Julian: As a quick question, when would that report be made available? Do you have a target date at this point?

Mr. Yves Giroux: I'll refer you to Dr. Yan. She has a much better handle than I do on the state of readiness of that report.

The Chair: Dr. Yan, go ahead.

Ms. Xiaoyi Yan (Director, Budgetary Analysis, Office of the Parliamentary Budget Officer): Thank you, Mr. Chair. I'm happy to respond to this question.

The report is recently finished. It's in good shape. It should be available to parliamentarians in the near future. That's my view, and I would advise Mr. Giroux accordingly in terms of exactly how much time we're going to need from today until it's released.

My personal view, after managing this project, is that it's very close to the finish line.

The Chair: Thanks.

I'm going to go to six minutes in the next round, because we have lots of time for this session. We'll start with Mr. Poilievre, and then go on to Mr. Fragiskatos.

However, before I go there, I've been thinking about, in the first round, under questions from Mr. Morantz, the concern that has been raised both in Parliament and with the Prime Minister of the bureaucracy or the government not going after those who maybe shouldn't be getting the CERB.

I really want to be strong on this point: Fraud will not be tolerated. It's that simple. In my view, the ministers weren't as clear as they should have been today. I have lots of people calling my office who were on EI and have gone back to work, but they automatically get transferred to CERB, so they get the \$2,000 from it. They've called my office to find out what they should do. I tell them to set the money aside and not spend it. It will be sorted out at the end of the season at income tax time.

They know they shouldn't have received it, and there might be some people out there who are taking advantage of CERB. However, the fact of the matter is that at the end of the day these people are going to be picked up on by CRA or somebody else. Therefore, I want to emphasize that fraud will not be tolerated. I think parliamentarians will certainly push that. It will be addressed.

Pierre, we'll go on to you, for six minutes.

● (1535)

Hon. Pierre Poilievre (Carleton, CPC): Thank you.

I took a look at the government's balance sheet today for the year 2018-19. It showed that the Government of Canada had a negative net worth of \$685 billion. That was before the coronavirus.

Parliamentary Budget Officer, according to the updates you've provided, it's now \$968 billion, by the end of the year. We call it the federal debt, but it is actually assets minus liabilities, which typically we would call the net worth. How is it possible for any entity to have a negative net worth of a trillion dollars, \$968 billion? The answer is that the major asset of the federal government is not on its balance sheet. It is taxation power. Therefore, when we ask whether the government can afford to pay its bills, the major question we need to consider is whether the population can afford to pay the government.

That's why I find, frankly, your and other officials' reference to our debt-to-GDP ratio as being so deceptive. Our debt-to-GDP ratio for this year is not 48%. It is somewhere closer to 360%, because the federal government does not have a claim on the entire economy. That economy has to support the debt of federal, provincial and municipal governments, plus corporations, plus households. When

you add all of that together, we were at 356% of GDP back in 2018, before the coronavirus struck.

You said that we have all this room to spend before we reach the 1995 levels of near bankruptcy, but what was the total economy-wide debt-to-GDP in 1995, as compared to today?

Mr. Yves Giroux: That number would have to take into consideration the provincial debt, as well as municipal and other public bodies, such as school boards, hospitals and so on. I don't have that number as to where it was in 1995-96, but I suspect it was probably way above 100% of GDP. We could get back to you with that level of debt if you want, but for sure, it was much higher than just the federal debt.

Hon. Pierre Poilievre: Yes, but it's not just other levels of government. It's households as well. I'm reading from Dr. Jack Mintz, in the Financial Post:

According to the IMF, our total private and public debt, including all financial instruments, was 356 per cent of GDP in 2018, not far off its 1995 peak of 378 per cent of GDP when we faced a crisis selling our public debt to the international market.

My point is that we are not miles away from the 1995 crisis levels. We're only roughly 20 percentage points of GDP away, all public and private debt included, and with this year, the federal government alone will add 12% of GDP to its debt. God knows how much households are adding, and God knows how much the provinces and corporations are adding. Given that we have one economy that has to service all this debt, are you not concerned that in the next several years we could hit a wall?

Mr. Yves Giroux: When you add to the mix private debt or debt held by households and companies, it paints a very different picture. We and the Bank of Canada governor, the policy wonks and think tanks have mentioned repeatedly that the high levels of household debt presents a significant risk to the Canadian economy.

That high level of debt, however worrying it is, doesn't cost that much to service, which is probably the cause of that high level of debt in good part. It doesn't cost that much to incur a huge mortgage, because interest rates on mortgages are 3% to 4%. That incentivizes people to take on more debt, and they are doing that. Therefore, of course, when you take into consideration the debt that private individuals and corporations have and add that to the level of debt of the government, it is a very important amount. However, I'm not sure what the government can do to prevent households from having that debt. It paints a worrying picture when you add them all together. It is true.

• (1540)

Hon. Pierre Poilievre: You have to add it all together, because the government doesn't own the entire economy. It cannot lay claim to all of the output to service its debt. That one economy has to service the debt of households, businesses and all levels of government. You're telling me the only saving grace we have right now is low interest rates. You've predicted that rates will remain low because the economy will be weak, but we have historical evidence that rates can be high in a weak economy. In the early 1980s, we had an extremely weak economy, and we had extremely high interest rates at the same time to combat out-of-control inflation. Why would we risk that repeat?

Why would we risk the possibility that we would have unsustainable levels of debt going into future increases in interest rates, all on the flowery assumption that rates will never go up again?

Mr. Yves Giroux: I don't think anybody is taking for granted that rates will never go up. The scenario we released goes only to the end of the current calendar year, and we don't anticipate a return to high interest rates. Those who have dared to put out projections or scenarios beyond the current calendar year are not envisioning a return to the high interest rates of the 1980s.

Could interest rates go up in the next several years? Yes, they could well go up, and we need to be cognizant of that.

Hon. Pierre Poilievre: Chair, could I just make a closing 10-second comment on that?

The Chair: You can. We will have time for another question from you later on anyway. Do you want to go now, or have it later?

Hon. Pierre Poilievre: I'll make it very quick. I'll point out that if, for example, the overnight lending rate were to go up to 2%, that would be an 800% increase over the 0.25% we have now. It would be only a two-point increase, but it would go up eight times. The sensitivity of our economy to higher interest rates is so much bigger now, and therefore, the risk is so much bigger as well.

The Chair: Is there any comment you want to make on that, Mr. Giroux?

Mr. Yves Giroux: Only that I agree that our economy, the entire economy, is very sensitive to interest rates. As Mr. Poilievre mentioned, should interest rates start going up, the government would have to incur significantly higher debt-servicing costs, but households and companies would have to face much higher debt-servicing costs as well.

The Chair: As probably the only one on here who had to pay 22.5% in the 1980s, I remember it very well and very painfully.

We'll turn to Mr. Fragiskatos, and then we'll go on to Mr. Cumming.

Elizabeth May, somebody informed me that you had your hand up earlier. We will give you a round a little later on.

Mr. Fragiskatos.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you, Chair.

Thank you, Mr. Giroux, for your testimony today and for all the work you're doing.

I want to follow up on some of the questions that Mr. Poilievre posed. You've been asked today about Canada's debt-to-GDP ratio relative to other countries, and you said that we have a very good debt-to-GDP ratio when we compare ourselves with other G7 countries. That would include, also, federations that have within them municipalities that have states and/or provinces with debt levels as well.

When you make that comparison, you're not excluding federations, are you? You're also looking at countries that have a federal structure of government?

• (1545)

Mr. Yves Giroux: Yes, but when I make comparisons, I try to go with the same level for comparable numbers. For example, if we consider only federal debt levels in Canada, we consider only federal debt levels in other federations.

Mr. Peter Fragiskatos: Yes, but when you look at other countries, you're not excluding federations. You're comparing Canada to other federations and other unitary states as well. You're not exclusive in that regard.

Mr. Yves Giroux: Yes.

Mr. Peter Fragiskatos: Perfect.

I want to ask you something that builds on a question that Mr. Fraser posed to you at the end of his line of questioning.

Suppose, for a moment, that Canada had followed a minimal approach and had not introduced the Canada emergency response benefit, the wage subsidy program, the rent support program that we've seen for businesses or the Canada emergency business account that have of course been introduced. What would be the economic impact of that? I know you haven't modelled that and your officials haven't worked on that. However, you did say that it's an interesting sort of thought experiment. You study the economy. This is your expertise. What would you say, if posed a question in those terms?

If Canada had not introduced these programs, what would the net effect be on the economy, taking into account the most obvious thing, which is that the economy is ultimately about people? If people are suffering, certainly our economy would suffer in ways that we've never seen before, I would assume. I'm not going to put words in your mouth, but could you build upon that?

Mr. Yves Giroux: Sure.

In the absence of any government support—wage subsidies, income support measures, loans to businesses—we would have seen widespread bankruptcies, both at the individual level and the corporate level.

There would be even more restaurants that would say they're not coming back. We would already have seen a lot of bankruptcies. Not that many people have enough savings to sustain themselves for months at a time without an income, so there would be lots of defaults on mortgages, lots of repossessions of houses, and of cars, due to car loans not being paid. There would be businesses going under, as I mentioned, and credit card debts that would go unserved. The cost of doing nothing would certainly be high. Instead of being borne by the government, it would have to be borne by businesses, banks, financial institutions or whoever is lending that money. They would absorb very high debt levels, and that would also mean very high levels of emotional distress and very high stress levels.

Mr. Peter Fragiskatos: Can we infer from that, Mr. Giroux, that the cost of doing nothing could also have led to not just a recession but perhaps even a depression? Is it possible to think in those terms?

Mr. Yves Giroux: I think that it's possible to think in those terms, but I think the cost of doing nothing would just mean that the government would have ended up being forced to do something anyway, but probably something even more expensive or even more radical than what the government felt that it had to do.

For example, in the absence of any income support measures or loans, as I mentioned, there would be widespread economic distress, bankruptcies and so on. You can easily imagine financial institutions in this country going under one after the other in such a catastrophic scenario. The government would have had to bail out banks, which probably would not be much cheaper, certainly not cheaper than what we are currently doing as a country to support individuals and businesses.

As for the cost of doing nothing, I don't think you can really envisage that because the government would have been forced to do something anyway. Instead of doing it in March, it would have had to do it in late April or May, probably at a much higher price than the total. That we will never know for sure because we don't want to run such a bad social experiment.

• (1550)

Mr. Peter Fragiskatos: Thank you.

Andrew Scheer and the Conservatives have suggested that there is an apparent need, at least from their perspective, to reduce the Canada emergency response benefit for those accessing it. Do you have any thoughts on what that would mean for the average Canadian consumer who is on the CERB at the present time out of necessity and what that could imply for the Canadian economy?

Mr. Yves Giroux: In such a hypothetical scenario, one would have to look at the new level of the CERB. I think the question was related to the disincentives to work. Of course, the moment that you provide a benefit to individuals without an associated requirement to provide work effort, there is an disincentive to work, but that's a totally different question. With regard to your point, we'd have to look at the specifics to be able to assess the impact on Canadian consumers, individuals and the economy.

Mr. Peter Fragiskatos: Thank you.

The Chair: Next is Mr. Cumming and then Mr. McLeod.

James, you have six minutes.

Mr. James Cumming (Edmonton Centre, CPC): It's great to see you at committee again. It's always a joy to hear your testimony at this committee.

I want to first talk a little bit about the \$252 billion—it's funny how that just rolls off your tongue—as a deficit. What level of confidence do you have that that number is actually accurate, given that we continue to see additional spending extensions? It looks like there's going to be an extension to the wage subsidy program. More importantly, what revenue is going to be generated by the economy? That's a bit of an unknown. How quickly do you see provinces reopening and actually starting to produce revenue again in that scenario for the \$252 billion?

Mr. Yves Giroux: In that scenario, we see physical distancing measures being gradually eased over the spring, and being lifted not before the end of the calendar year. Some measures would remain in place throughout the year—so provinces and the federal government would continue to have revenues—but the revenues would certainly not go back to the pre-pandemic level during the current fiscal year. We would probably have to wait past the end of the fiscal year for the government revenues to return to the same pre-pandemic level. It will be several months, if not a few years, until we see the same level of government revenues that we had in February, for example.

With respect to the confidence level that I have in the \$252-billion deficit figure, I'd say that it depends on a number of things. It depends on physical distancing measures being lifted gradually throughout the remainder of 2020. It assumes that oil prices will remain low for the rest of the year. However, we also stopped taking into consideration measures as of April 24 because we had to go to print at some point.

In my view, the \$252-billion figure is probably on the optimistic side. If I had to bet on that number, I'd say that it's more likely to be worse than that than it is to be better than that. I think that \$252 billion is probably on the very optimistic side as things stand now, but as I said before, we could be pleasantly surprised. A genius could come up with a vaccine tomorrow, and we could go back to living a normal life by September, but that doesn't look likely for now. In all likelihood, the deficit will be higher than \$252 billion.

Mr. James Cumming: Because you did some analysis prior to COVID on the debt that's been taken on, as my honourable colleague has suggested—provincial debt, municipal debt, all of those—I think it's a safe assumption, then, that the level of this could be quite a bit higher.

That leads to our having two options here when we get into this scenario. One is having tax capacity, which Canada, from a competitive standpoint, was getting pretty close to.... If I remember in some of your reports, there was concern about our competitiveness. The other option was generating revenue.

How important would it be, as we look forward to any initiatives by government, whether it be on infrastructure funding or tax planning, to encourage investment in revenue-producing assets versus those assets that actually incur additional cost, as we try to work our way out of the COVID pandemic?

• (1555)

Mr. Yves Giroux: A crisis like the one we are living in, as sad as it is, presents opportunities. As you mentioned, there will certainly be a need and a desire for stimulus measures to be implemented. When that time comes, the government should seriously consider productivity-enhancing stimulus measures as opposed to pure spending, which doesn't lead to greater well-being and greater wealth-generating capacity, for example.

It will be important to have a plan in place, when the time is appropriate, for stimulus measures that generate additional growth and wealth for the country, as opposed to spending for the sake of spending.

That being said, it would be beneficial if the government were to lay out its recovery plan once the end of the pandemic is in sight, or at the very least a fiscal update as soon as possible, so that Canadians have a much better sense of the depth of the deficit and the economic situation.

Mr. James Cumming: To bring that confidence, particularly investment confidence and the confidence in the business community and in the public sector, how critical, in your opinion, is the urgency of coming up with some sort of plan so that people can be aware that there is some thought on how we come out of this? How critical is the timing of that?

Mr. Yves Giroux: In my humble opinion, the sooner the better.

However, it's a bit difficult to ask the government to come up with such a plan right now, as governments—and not just the federal government, but provincial and territorial governments as well—are all struggling to keep up with the pandemic and to protect Canadians.

However, the public service is capable of coming up with proposals and options with respect to an economic recovery plan. I am sure, having worked at finance and PCO, that there are very bright minds working on providing advice to ministers and cabinet on a potential economic recovery plan. In my opinion, the sooner this plan is made available and is disclosed publicly, the better it is to instill that sense of confidence you mentioned in Canadians and in businesses so that once the pandemic is over there will be an economy to go back to, there will be investment opportunities and there will be jobs for people who have lost their jobs. There will be another side to that pandemic.

In my opinion the sooner it is out there, the better it is for all of us collectively.

Thank you.

The Chair: Thank you both.

Thank you for that comment, Mr. Giroux. I hope somebody upstairs is listening to that comment on the need for an economic recovery plan shortly.

We'll go to Mr. McLeod, and then I'll let you in for a five-minute round, Elizabeth.

Mr. McLeod.

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

Thank you to the Parliamentary Budget Officer. It's a very interesting discussion we have going on today.

My question is to the Parliamentary Budget Officer. When you were before committee in early March, I had asked you about the worrying fiscal sustainability issues with the northern territorial governments and the situations they were facing.

I can only imagine your next fiscal sustainability report will show that the pandemic has made the situation far worse. Given our small tax base, high service and infrastructure gaps, and the very limited fiscal levers the territories have relative to the larger orders of government, would you agree that the north is in a particularly precarious situation now?

Mr. Yves Giroux: It's undoubtedly worse than it was before. Even though the health situation in the territories might not be as bad as it is in some provinces, the economic impact is probably felt very strongly in the territories, as it is in most regions of the country.

With the economic downturn and a recession this year, it's clear that the economic situation in all provinces and territories has clearly not improved. When we release our next fiscal sustainability report, probably next year, I don't think the situation will have improved for any jurisdiction. That is also valid for the Northwest Territories, Yukon and Nunavut, sadly.

• (1600)

Mr. Michael McLeod: Would certain steps by the federal government assist in addressing this situation? For example, there could be greater flexibility and cost-sharing for big infrastructure projects, greater usage of base plus per capita allocations of federal programming, and, last, increasing the debt limit, which is something we've been asking to have for a while and is an issue that is of greater urgency now. At the start of 2020, the Government of the Northwest Territories was about \$300 million away from hitting its \$1.3-billion debt limit.

Mr. Yves Giroux: When we released the fiscal sustainability report the last time, in January, and the report before that in 2018, they showed clearly that the federal government was on a sustainable track over the next 75 years and that provinces and territories, in aggregate, were not. I expected, maybe naively, that the discussion in the country would probably evolve towards different responsibilities or different sharing of revenues between the federal and provincial governments. That has not happened. The current crisis probably underlines that.

There will still be a need for that discussion, because in the end there is only one taxpayer. If one level of government is sustainable and the others are not, it's about time to have a discussion about the sharing of the fiscal pie and how we can generate revenues and allocate them differently, as well as responsibilities and who is responsible for what.

All that is to say that the suggestions you made all seem to be valid to me to ensure a better financial sustainability for the territories, but it's a policy decision as to which ones are the preferred ones for any particular situation. Nothing you mentioned strikes me as inappropriate or going against that, except maybe increasing the debt limit. If the territory or jurisdiction is unsustainable over the long term, allowing it to borrow even more might not be the solution. It might be a temporary solution, but it's probably not a long-term solution.

The Chair: You have two minutes left, Michael.

Mr. Michael McLeod: I wanted to ask one more question regarding the fiscal sustainability report, which I think the Parliamentary Budget Officer said won't be happening until next year. Is there a way to get a fiscal snapshot through your office of where all the provinces and territories are at and where they rank on an interim basis?

Mr. Yves Giroux: The last report we released on that, the fiscal sustainability report on the provinces and territories, was released in January. We didn't have sufficient data to disaggregate the three territories, but I don't think individual territories would have that different a picture.

When it comes to updating that report or the numbers, I think it would probably be premature to do that now, given that the economic and fiscal situation is very much in flux. We can look at what we can do, but I don't think it'll be possible to do anything that would be solid or at least remotely reliable when it comes to the provincial and territorial fiscal situation any time between now and the end of the year, given all the expenditures and the very fluid economic situation, sadly.

The Chair: Thank you both for that round.

We'll go to five-minute rounds. We'll start with Ms. May, and then we'll go to Mr. Brunelle-Duceppe, Mr. Julian, Mr. Cooper, Ms. Koutrakis, Mr. Poilievre and Ms. Dzerowicz.

Elizabeth, you're on.

• (1605)

Ms. Elizabeth May (Saanich—Gulf Islands, GP): Thank you, Mr. Chair, and thank you colleagues on the committee.

First of all, I can't see Pierre Poilievre because his picture isn't on, but I'm hoping he's sitting down, because I'd like to start by thanking Stephen Harper for creating the parliamentary budget—

The Chair: Is anybody else having a problem hearing Elizabeth? Just hold on Elizabeth. We're having a little.... There you go.

Ms. Elizabeth May: I apologize. I was teasing Pierre.

Oh, you are sitting down, Pierre, that's very good.

I want to start by thanking Stephen Harper for creating the parliamentary budget office. We've begun to take it for granted.

Your work is excellent, Mr. Giroux and Dr. Yan. We're in your debt. I'm extraordinarily grateful, because I have questions from constituents all the time about what it means for our future—how much deficit, how much debt can we handle. I find the clarity of your reports in this pandemic enormously helpful.

I want to drill down on something you just said. You said you hoped that the stimulus spending, when we see it post-pandemic, will be “productivity enhancing”. I wonder if you have some specific suggestions of what you think, by category obviously. What kind of spending would meet your goals of seeing something that actually takes advantage of a crisis to improve our economic indicators, particularly productivity?

Mr. Yves Giroux: That's a very broad question, Madam May. You're putting me to the test right now.

There's a long list of potentially productivity-enhancing stimulus measures. One can think of investing in technology or investing in health research, for example, which these days is what we clearly are begging for. Infrastructure spending is also very useful when it comes to facilitating transport, communications and trade. So, there's a long list of potential investments and it's up to people like you—members of Parliament—with the support of public servants and stakeholders, to decide on the best mix.

This is far from what my role is, and I don't pretend to have all the answers, but there are several types of investments that could be made that are productivity enhancing and that could also stimulate the return to a more normal economy.

Ms. Elizabeth May: Thank you for taking a stab at something that was quite broad.

I'll change gears. Taking part in this committee is an extraordinary privilege, and I thank my colleagues that I'm able to participate at all. We've had the great privilege of hearing people like you, of course. The Governor of the Bank of Canada, Stephen Poloz, has testified and he expressed the orthodoxy of global central banks, which is that in times like this, you have to do whatever you can to fight deflation, and that our policies, such as cutting interest rates to near zero or having quantitative easing, can be inflationary.

We had one witness who was quite an iconoclast. I don't know if it's fair to ask your opinion on this question of whether we should actually rethink this, but a witness named Jeffrey Booth, who wrote a book called *The Price of Tomorrow*, said that we can't keep fighting deflation. The marginal cost of many things is going to start approaching zero. If it's renewable energy, the marginal cost of energy approaches zero, and then consumer goods and artificial intelligence....

I don't know if it's fair to ask you an opinion, but I found this contrast rather startling. It certainly is an iconoclastic view, and I wonder if you would offer an opinion.

Mr. Yves Giroux: Sure. I don't believe that the marginal cost of anything can be close to zero without there being an infinite demand for it. You mentioned that if the marginal cost of energy gets close to zero, then there'll be no incentive to save energy if energy costs virtually nothing. Demand will meet supply and there'll be a cost to it, so its cost won't go back to zero.

You may think that streaming costs zero, that the marginal cost is zero, but eventually when everybody is on the Internet, as we are finding out these days in our neighbourhoods, Internet starts to be a bit slow and Internet service providers start thinking about increasing their prices because they'll have to increase the bandwidth.

So I don't think that it's pointless to fight deflation, because if the marginal cost of something goes down to zero there will be an infinite demand for it and it will mean that its marginal cost will not go down to zero. There are, of course, exceptions, but generally speaking, I don't think you can have deflation that's unbeatable or "un-fightable".

• (1610)

Ms. Elizabeth May: Thank you. I've been wanting to ask someone that question, and I appreciate the opportunity to ask it to you, Monsieur Giroux.

Thank you again for all your work, and thanks to your whole team.

The Chair: Thank you both.

Mr. Brunelle-Duceppe.

You have five minutes, Alexis.

[*Translation*]

Mr. Alexis Brunelle-Duceppe (Lac-Saint-Jean, BQ): Thank you.

Hello, Mr. Giroux.

First of all, like my colleague from Joliette, I salute you for staying so busy lately. Well done.

You recently talked about measures for stimulating the economy when the time comes for a reboot. Last week, a question was asked by Mr. Littler, who was appearing before the committee as a representative of the Retail Council of Canada. Mr. Littler has been advocating a certain measure for years, over a number of Parliaments. We asked Mr. Morneau the same question, but we didn't get an answer. It's about the interchange fees that retailers have to pay for every transaction. As we know, because of COVID-19, people are mostly using credit cards. The use of cash is way down.

I was wondering if we should imitate Europe or Australia and cap the fee at 0.3% per transaction, instead of the current rate of 1.5%. In reality, the rate is around 2% and sometimes even goes up to 2.5% in certain situations. That eats directly into retailers' bottom line. Wouldn't capping these rates at 0.3%, as is being done elsewhere, stimulate an economic recovery, among other things? It would mean a lot more money in these retailers' pockets, but also more tax to pay because they would be making higher profits.

Has this measure previously been studied by your office? This is a long-standing request. Would it be advisable to implement such a measure here in Quebec and Canada?

Mr. Yves Giroux: Thank you, Mr. Brunelle-Duceppe.

That is not an issue that we have looked at, at least not since I have been the Parliamentary Budget Officer. That being said, it probably should be considered. Service providers hold a virtual monopoly over interchange fees. Merchants don't really have any other choice but to offer this method of payment. It has become very common over the past two months. It is the preferred method of payment of many employees who work in the retail and food industries. Merchants therefore have practically no other choice than to use these payment methods. They also have very little choice about service providers. If it is not a monopoly, it is an oligopoly.

With regard to public policy, the logical response when faced with a monopoly is to regulate to ensure that prices are reasonable. I am not a payment system expert. Are interchange fees reasonable or not?

As an ordinary consumer, I find it a bit troubling to know that, when I go to the local pizza joint and pay with my credit card, 2% or 3% of the amount of the sale or possibly even more goes to various financial intermediaries. It would likely be a good idea to examine the issue and to establish regulations if the fees seem excessive. As I said, this is not my area of expertise, but, as a consumer, I find the situation worrisome.

Mr. Alexis Brunelle-Duceppe: It comes down to common sense. Thank you very much, Mr. Giroux.

Your office has worked on measures to help seniors before, particularly during the election. I would like to know whether you think that an increase in old age security or guaranteed income supplement benefits would be sustainable in the long term budget-wise. For example, old age security could be increased by \$100 a month and the guaranteed income supplement could be increased by \$50 a month.

Wouldn't money invested to help our seniors have a positive impact on our regions and our merchants? Have you and your team looked at these scenarios? If not, were other scenarios considered in this regard?

• (1615)

Mr. Yves Giroux: We looked at what it would cost to increase the guaranteed income supplement and old age security benefits.

Mr. Alexis Brunelle-Duceppe: Okay.

Mr. Yves Giroux: We looked at how much it would cost, but we did not determine whether we could afford it or not. Whether or not to increase the guaranteed income supplement and old age security benefits is a public policy choice. It depends on the choices that parliamentarians are prepared to make. All of the choices that you make involve trade-offs. If more money is invested in the guaranteed income supplement, that means that the government has to raise taxes or invest less money in other public policy areas.

We also did not consider the economic impact that increasing the guaranteed income supplement would have on regional economic activity. If the government gives more money to low- or middle-income Canadians, they might be inclined to spend it on local products. Of course that would have a positive impact on the economy of all the regions of Canada, since there are seniors living all across the country.

Mr. Alexis Brunelle-Duceppe: Thank you.

Do I have any time left, Mr. Chair?

[*English*]

The Chair: Okay, I'll thank you both. You're quite a bit over the time, Alexis.

We'll go to Mr. Julian.

[*Translation*]

Mr. Peter Julian: Thank you very much, Mr. Chair.

Mr. Giroux, thank you for being here today.

We just talked about the cuts that will have to be made or the austerity measures that will have to be taken as a result of COVID-19. Of course, there are other solutions.

We just talked about the money that is going into tax havens rather than flowing into our collective investments. Once the crisis is behind us, we could take measures in that regard. That could be part of the solution and could improve the quality of life of Canadians.

As Mr. Poilievre said, and I do not often agree with him, given that the debt households will be racking up because of all the cuts to federal public services, after the pandemic, we will have to allocate the resources necessary to improve people's quality of life.

I have two questions to ask about that.

First, there is one sector that benefited from this crisis, and that is the web giants. Has your office looked into how much money Canada is losing from the fact that these web giants often do not pay taxes or even employment insurance premiums for their employees and do not contribute to the Quebec pension plan or the Canada pension plan? Have you ever looked into that? If not, would you be prepared to do so?

Second, other countries already have a wealth tax. I know that you analyzed the positive impact of such a tax during the election campaign. Could you tell us the findings of that study? What level of investment must be made for the good of all Canadians?

Mr. Yves Giroux: To my knowledge, we have not looked into exactly how much money the government is losing as a result of web giants. However, we have considered a tax on revenue above a certain threshold for technology firms, namely, the web giants. We don't really need to name names; we know who they are.

For example, we considered the effect that a 3% tax on companies earning revenue over a certain threshold would have. I do not remember exactly how much revenue that tax would generate, but Ms. Yan might be able to tell you after I answer the second part of your question.

We also considered how much money could be generated by a wealth tax. Unfortunately, I do not remember those amounts either. Once again, Ms. Yan might have a better memory than I do. However, the important thing is to have control measures. When people see a wealth tax coming, we know that they will quickly do what it takes to avoid paying that tax. The important thing to consider when imposing a wealth tax is the way it is designed and the way we go about it. We need to think carefully about the exemptions we have in mind and we need to have a proper structure in place for applying the tax.

Perhaps Ms. Yan could round out my answer by talking about the amounts that could be generated by imposing a tax on web giants and a wealth tax.

• (1620)

[*English*]

Ms. Xiaoyi Yan: As the PBO correctly put it, during the electoral platform costing, we looked into the web giants—the potential sales in Canada—and if we were to tax that part of the revenue, what potential income tax would come into this country. I don't have that number offhand.

We looked into several issues, but like the PBO said, we didn't look at it systematically, as a total amount that would escape the country through these web giants.

Regarding the taxation on wealth, during the electoral platform costing, we also looked into the taxation on net wealth of high-net-worth individuals. We were limited by time. We knew for sure that the top end of the net worth of individuals was underestimated, because we didn't have very good data to represent the top end of the high-wealth individuals.

The recent report that Monsieur Giroux mentioned is going to address this issue much more methodically and systematically. We are very confident now that we have come up with a modelling approach that can more accurately estimate the high-end net worth concentrated in a small percentage of individual families. That's also brought in line with the national balance sheet accounts. If I were to say what the number would be after all these refinements are done, it's going to be in that report.

Thank you.

The Chair: Okay, thank you. We look forward to that report.

Sorry, Peter, you're well over time.

We'll go to Mr. Cooper.

Mr. Michael Cooper (St. Albert—Edmonton, CPC): Thank you to Mr. Giroux for being here.

Before I ask some questions to Mr. Giroux, I do want to correct for the record. My friend Mr. Fragiskatos suggested that Andrew Scheer advocated cutting CERB or taking Canadians off it. That is simply not the case.

Mr. Giroux, you noted in answer to a question posed by Mr. Cumming that the current projected deficit of \$252 billion is a very optimistic projection. It's certainly understandable that you would say that. On April 9 in your fiscal scenario, your office estimated a budget deficit for fiscal year 2021 to be \$184.2 billion. Three weeks later, that is now up to \$252.1 billion, \$70 billion more in the span of three weeks. In other words, it's more than three times the estimated deficit pre-COVID for fiscal year 2021. They're really staggering numbers when you put it in that context.

Now your figure of \$252.1 billion, as you note, is up to federal measures taken to April 24, so presumably that excludes the Canada emergency commercial rent assistance program as well as the student package, among other measures.

In your testimony, you stated that, taking into consideration federal measures after April 24, the budget deficit would be a few billion dollars more. I was wondering if perhaps you could elaborate on just how much more, if you're in a position to be able to comment.

• (1625)

Mr. Yves Giroux: I would like to be able to elaborate more on that but we don't have details of some of these measures. For example, the large employer emergency financing facility is a new measure, and I don't have the details, so I'm not in a position to determine how much it would cost. The same with the extension of the wage subsidy past June. I don't know how long it will be extended or the terms of the extension. The emergency commercial rent assistance was announced on April 16 but the details were announced after we went to print, so we don't have the details.

All that to say it's very difficult to estimate a likely deficit figure, given that details are missing for some of these potentially very expensive measures. I'm not judging them on their merit but they're very likely to be expensive. That points to what I said before, the need for a fiscal update by the government to give Canadians a better idea as to what the deficit is likely to be, because the government probably has in mind a sense of how much it wants to spend on potential stimulus measures, but we don't have that information.

Again, that's why the figure of \$252 billion is very likely to be the very optimistic scenario as opposed to the number for the deficit for the current fiscal year.

Mr. Michael Cooper: Thank you for that, Mr. Giroux.

I want to ask a question about the federal debt-to-GDP ratio, but certainly I would underscore the point made by Mr. Poilievre that when you look at public and private debt, the debt-to-GDP ratio was over 350% before COVID and where that puts Canada relative to other G7 countries is second after Japan in terms of the highest debt-to-GDP ratio.

Nonetheless, in your report you do make reference on page 13 to the debt-to-GDP ratio stabilizing, but you note that this would not

necessarily be the case if measures were made permanent or extended.

Would it be fair to say, much as your \$252-billion deficit projection for fiscal year 2021 is very optimistic, so too is your projection of debt-to-GDP ratio stabilizing?

Mr. Yves Giroux: We finished drafting the report on April 24.

These days, a week can feel like a month. Sometimes it can feel like a year depending on who you are living with, because we're spending most of our time at home.

Lots of things change. I would say that on the debt-to-GDP ratio stabilizing once the economy recovers, again, it depends a lot on government action, for example, whether it will return to deficit levels that we saw before the pandemic, which seems very unlikely, at least in the short term, and maybe even in the medium term, given the state of the economy. On debt-to-GDP ratio stabilizing, that's only once the economy returns to its pre-pandemic growth rate and we see deficits at the federal level returning to the \$20-billion range that we had before the pandemic, or even better, which is not for next year. I'd be very, very surprised.

• (1630)

The Chair: Thank you very much, both of you.

We'll go to Ms. Koutrakis.

Ms. Annie Koutrakis (Vimy, Lib.): Thank you, Mr. Giroux and Dr. Yan, for your testimony today.

Your testimony is staggering to me when I hear all the numbers, as I'm sure it is for all my colleagues on the committee here today. What I heard with interest and more importantly is what Canadians would be going through had the government not stepped in and had not taken these drastic measures and continued to address this. If we had not done it, I shudder to think of where our economy would be headed and where Canadians would be at this point.

I'm going to be sticking to the analogy of World War II, because it's the first time we've faced a crisis such as this since World War II. At the time, we mobilized the entire nation and the economy and we won, but we ran deficits of approximately 20% of GDP for about five years. When the war ended, the economy kept growing and we were into surpluses two years later. Is there any reason for you to think that if we continue in the short term with deficits of 15% to 20% of GDP we cannot come out of this stronger post-COVID-19?

Mr. Yves Giroux: That's a very interesting question. I think the fundamental reason why we are not in the same position coming out of COVID-19 as we were coming out of World War II is the demographic structure.

Coming out of World War II, the population was much younger and the baby boom was about to start, leading to a long period of growth. Coming out of COVID-19, we have a much older population, with fewer working-age individuals. I'm not sure that we'll see a baby boom. Maybe we'll see a divorce boom, depending who you are confined with, but I certainly don't see a baby boom to the same extent that we had in World War II. For that reason, I'm not sure that we should expect the same level of government surpluses that we had at the end of World War II.

That being said, will we be coming out of this stronger? I certainly hope so. I am optimistic that we will be coming out of this stronger. It's outside of the mandate of the PBO, but there will be more social cohesion, I think. It will have bound people together. Spending months together with your kids and spouse certainly strengthens these bonds. It sometimes cuts them for good, but in many cases it will have strengthened them. Some businesses will go under, which is very sad, but, like a wildfire, there are things that bloom after a fire. New businesses will emerge out of that economically and socially very sad period.

I am optimistic overall that in a few months—maybe years—we will have a very strong country, but it will come at a price that some of our colleagues and citizens will pay, and it will be dear.

Ms. Annie Koutrakis: I hope it doesn't come to a divorce boom. We just came up with a new expression, and I really would hate to think that this COVID pandemic created a divorce boom.

Going back to the financial crisis in 2008, are there any lessons we can draw from it that may be pertinent in the current environment from a public finance perspective?

Mr. Yves Giroux: Sure. Coming out of the last recession, 2008-09, the deficit level was very high back then—or so we thought—at \$55 billion. However, with efforts, the economy started growing again, and the fiscal situation of the country improved relatively quickly. It seemed long at the time. All that to say, there is hope, as long as governments intervene to support people in need and also withdraw these supports when they are no longer necessary.

The experience of 2008-09 suggests that governments, at all levels, have a role to play during a crisis. They also have a role to not play when the crisis is over, by withdrawing the support that becomes unnecessary. As we saw in 2008-09, credit that was made available through financial institutions and various actors was temporary in nature and was allowed to expire. Businesses returned to normal, with economic growth that was there to support Canadians.

• (1635)

The Chair: Okay, we will have to end it there.

Thank you both.

We'll go to Mr. Poilievre, who will be followed by Ms. Dzerowicz. We will probably have time for three single questions, if people want to give me an indication that they want to ask one.

Mr. Poilievre, you have five minutes.

Hon. Pierre Poilievre: Thank you very much.

Madam Koutrakis talked about the deficits that ran in the World War II period, but your report points out that in the years following, the government actually ran a 5% of GDP annual surplus. Those would be, in today's terms, \$115-billion surpluses. If we were running huge deficits before this crisis even began, which the government was, it's hard to imagine that it's going to be returning Canada to a \$115-billion surplus in the next fiscal year or even the one after that, or ever, for that matter.

I want to ask you, though, about the 1990s. You pointed out that in the mid-nineties, we basically went bankrupt and governments brought in massive spending cuts. The Liberal government in Ottawa cut spending by 10% in absolute terms; governments across the country did likewise. In the aftermath of that, the economy experienced massive economic growth. Unemployment fell, basically by a third.

Do you find that interesting, given that we're told now that the only way to precipitate growth is through more and more deficit spending?

Mr. Yves Giroux: It's true that once the economy is over a very difficult period such as a crisis, reducing government intervention tends to have positive impacts. One can think of government interventions that are necessary in times of crisis, such as in 2008-09 or the current crisis. It's not unthinkable to imagine a world where we return to the pre-crisis level of government spending and that unleashes economic growth because of the sad economic downturn that took place.

It's not surprising to me that in the 1990s, where we had poor economic prospects, the country was deemed an honorary member of the third world by The Wall Street Journal. Governments took action to change the mood and instill confidence by reducing spending and ensuring that the finances were on a more sustainable path. It led to increased investments and economic growth. That's very often what happens.

Hon. Pierre Poilievre: Right.

From the early nineties to the late nineties, all-of-government spending as share of GDP went from 53% to about 38%, a massive reduction in the size of government relative to GDP. What happened is that the economy grew dramatically and unemployment dropped. That is the historical record.

Getting back to the present and dealing with the massive debts that our country faces today, do you have a calculation of the contingent liabilities faced by the Government of Canada as a result of its insurance on private debt, like mortgages or other loan guarantees of private enterprise?

• (1640)

Mr. Yves Giroux: I don't have that number off the top of my head, but that area has attracted quite a bit of interest in the office and from me. We are closely following that, and we are looking at the total number of loan guarantees and contingent liabilities that could result from all these various hundreds of billions of dollars of loan guarantees and support programs to the private sector through various government agencies. We don't have a number right now, so it's difficult to come up with the contingent liabilities that could be forced on the government books.

Hon. Pierre Poilievre: Right, but back to my earlier point, we cannot separate government debt from private debt because, in the case of mortgages, government-backed enterprises like CMHC, Canada Guaranty and Genworth are responsible for insuring default losses on the vast majority of mortgages in this country. If Canadians lose their work, lose their homes, and banks lose money on repossessions, taxpayers are going to have to take on all that debt to back up the banks. That's even more of a liability that you have not included in the 48% number of debt-to-GDP ratio.

There are so many liabilities—other levels of government, private sector, households, and in addition to that, government-contingent liabilities like the one I just described—that are piling one on top of the other. When you consider all these levels of debt, are you not concerned that we could be in some trouble in two or three years if we don't act quickly to get ourselves out from under it?

Mr. Yves Giroux: It is concerning, especially if you consider a scenario where interest rates start going up and debt-servicing costs become unbearable. However, such a scenario is not likely. It doesn't mean it's impossible. It is indeed concerning, but the Governor of the Bank of Canada and various stakeholders have warned Canadians for a number of years to stop piling on such high levels of debt because it's risky. However, Canadians have a big appetite for debt, as demonstrated by their spending habits and the fact that they incur more and more debt.

It is concerning, but when you look at these individual components, the question is this: Is the federal government in and of itself in a worrisome position right now? The answer is no, because debt-servicing costs are not that high. As you asked, if you start adding all these debts and you take the catastrophic approach whereby the federal government or the taxpayer ends up being responsible for all these, yes, it is a concerning amount of debt. The likelihood of all that falling on the shoulders of taxpayers is quite low.

The Chair: We'll go now to Ms. Dzerowicz.

I see Peter has a single question following that. Is there anybody else? We'll go to Marty and Elizabeth, and then we'll end it at that.

Okay, Julie.

Ms. Julie Dzerowicz (Davenport, Lib.): Thank you.

I just want to say thanks so much, Mr. Giroux, for being here today, for your hard work and for your extraordinary service to Canadians.

Hearing the conversation today, I was wondering what residents of my riding—Davenport is my riding, in downtown west Toronto—would think. If they were listening and they were hearing about the fact that our deficit might go past \$252 billion and that our col-

lective debt levels in Canada would go beyond \$900 billion, there would be a lot of concern. I think, though, if the average Canadian thinks about what the cost of our doing nothing would be or of our being frozen with fear because of these debt levels, the costs to our economy and to our banks, in terms of bankruptcy, and to our health, as was mentioned in our discussion, would have been even worse than where we're at today.

I also would probably take some comfort knowing that Canada is doing relatively well in the G7. In comparison, we were doing well before this pandemic, and we continue to line up fairly well right now. Then I think I'd also take some comfort in what Governor Poloz mentioned the last time he was with us when, in response to a question on whether he thought Canada would be able to recoup or re-establish growth of the anticipated 4% to 6% GDP loss from this pandemic, he said that there was no reason to believe that we couldn't recover that growth or that we wouldn't actually be able to make positive structural changes.

Then last week, the Prime Minister, when asked by the media what he thought about moving forward in terms of the economy and how to support the Canadian economy, said that the Canadian government is very much focused on building back better. So that is where we're focused. I really take to heart your encouragement to our government to make sure that any type of economic recovery plan is actually put forward to Canadians as soon as possible.

My question to you, Mr. Giroux, is this. To build back better, we have a lot of opportunities. There's a generational opportunity to actually rebuild better both our economy and our society. I wonder if you might have any ideas or any contributions about how we "build back better".

• (1645)

Mr. Yves Giroux: Thank you for the compliment, and thanks to all of you who have complimented the work of the office.

With regard to building back or having a stimulus package, I've already responded, I think, to Madam May, who had a similar question. As long as these are productivity-enhancing measures, I think they have prospects for longer-term growth or for inducing longer-term growth. I've already talked about investments that facilitate transportation, trade or communications. Research is also an area that is productivity enhancing. It can be hit and miss, but once you hit a gold mine, that rewards that investment in research.

It's not my area of expertise. I'm not in the business of providing policy advice, but you get the general gist of what I said and what I mean. As long as these are productivity-enhancing investments, those are the things that would have the most benefit while also providing economic stimulus.

On the question of whether or not there is a need for economic stimulus, it is also a bit premature to answer. It depends on what type of recovery we have. Assuming there is a need for economic stimulus, these would be the types of investments that would make the most sense from an economic perspective.

Ms. Julie Dzerowicz: Thank you for that.

Mr. Giroux, do you know of any other country that has already produced some sort of an economic recovery plan?

Mr. Yves Giroux: I do not. What I've seen is mostly in terms of deconfinement or resumption of businesses, but I haven't seen economic stimulus plans by countries. It doesn't mean they don't exist. It just means that I'm not aware of any right now. I've been quite busy with the current report and costing of government measures.

Ms. Julie Dzerowicz: Perfect.

I have one last tiny question.

Because of the pandemic, do you see in any way the role of your office changing, with either it being enhanced or something more needing to be done as a result of this pandemic and our coming out of it?

Mr. Yves Giroux: I see the absence of information that is credible and non-partisan—well, let me rephrase that. I see the role of the office being enhanced as a result of the pandemic. There is clearly an appetite for non-partisan and objective information and analysis when it comes to the state of the nation's economy and national finances.

The electoral period last year showed that we could provide credible and needed analysis and information costings in that case. In the current pandemic, while the government is busy coming up with economic measures and support measures, it hasn't paid that much attention to providing a fiscal picture, so the role of the office, I think, is appreciated by many stakeholders, including parliamentarians and Canadians, when it comes to providing a sense of the magnitude of expenditures so far.

I clearly see a need for the office, both in times of economic growth and in dire economic circumstances like this.

• (1650)

The Chair: Thank you very much.

You do excellent work there, Mr. Giroux.

I have just a quick question before I go to Mr. Julian for one question, Mr. Morantz for one and then Ms. May.

To support business and the economy and the jobs that businesses create, the government has come in with a lot of measures to basically provide liquidity. How do you expect to measure, I guess, the cost as you go down the line and study and do reports on what we're doing as the government? How do you factor in those liquidity measures and the risks and the costs that might be there?

Mr. Yves Giroux: We do that and we did that for the delay in remitting taxes that the government has offered to individuals and businesses. You look at the cost of borrowing. The government provides funding to businesses, so the government itself has to borrow that money or borrow more than it otherwise would. There is one cost there. It gets revenues in the form of interest income from

these corporations and businesses, so these are usually offsetting or more than offsetting.

In looking at previous economic crises and difficult circumstances such as the 2008-09 crisis, there is a default rate that we can look at based on previous experiences. A number of businesses will not be able to repay the assistance and some will not repay it in full, so we look at previous experience to determine what proportion of these loans will never be repaid. That's how we can estimate the cost of these measures.

In some instances, there is no net cost because experience has shown that all these amounts get paid or that a small amount never gets repaid, but it's more than offset by the interest income the government makes. In some other cases, there is a small cost relative to the size of the overall loans, because there is a proportion of businesses that can't repay, and this is not offset by the income generated through interest revenues.

In a nutshell, that's how we estimate these costs or, sometimes, revenues.

The Chair: Okay. Thanks very much. That's quite important.

We'll go to Mr. Julian, please, and then Mr. Morantz.

Mr. Peter Julian: Mr. Giroux and Dr. Yan, thank you very much for being here. You're rock stars, because you protect the public interest. You're very credible when you talk about issues during the pandemic, and in terms of coming out of the pandemic, you've identified a number of ways in which the government can ensure that we stop handing out money to Canada's wealthiest corporations and actually invest it to make a difference for people.

Another aspect of the recovery is making sure that every dollar counts, and we're actually making investments that help people, so I have to ask the question. You've explored the issue of the Trans Mountain pipeline. We spent a billion dollars more than we should have to purchase it, and recent construction costs have been evaluated at anywhere from \$15 billion to \$20 billion. It's the biggest boondoggle in Canadian history.

I'm wondering if you have a revised construction cost or whether the PBO has been looking into the escalating construction costs of Trans Mountain, and also whether you're looking into the escalating costs of climate change and its impacts on government operations, of course, and the Canadian economy.

Mr. Yves Giroux: Mr. Julian, I have disappointing answers to both of your questions. It's, no, we haven't looked at providing an update to the construction costs of Trans Mountain, and we haven't looked at the cost of climate change. That being said, over the next several weeks we will be releasing an update on Canada meeting—or not—its Paris targets. There will be some work that will be released over the next several weeks. I don't want to give a timeline in front of the committee without being certain that we will be meeting it, but work is currently being done.

Hopefully by the end of the summer we'll have something for you on that, but sadly, not the cost of climate change nor a revised cost for Trans Mountain.

• (1655)

The Chair: Okay. Thank you for that.

I would just throw in there, because Peter and I have had this discussion before, you should factor in the fact that the Alberta discount costs Canada close to \$500 billion a year because we don't have a proper outlet for our oil.

Mr. Morantz.

Mr. Marty Morantz: Thank you, Mr. Chair.

Mr. Giroux, I want to respectfully circle back to a couple of the statements you made earlier.

One is with respect to this increased debt, \$252 billion, not affecting the draw on the operating budget. My understanding is that pre-COVID debt is locked in for a long period of time and that those interest rates are set. Certainly adding more debt, and you said it was counterintuitive, must add more interest costs to be drawn against the operating budget.

In addition to that you also said—and I think I heard you correctly a moment ago—that you thought it was unlikely that interest rates would rise.

A few weeks ago, I had the opportunity to question the governor of the Bank of Canada, Mr. Poloz, on this very question. It's on the record that he said interest rates will most certainly rise once we come out of this. He thought that would be a good problem to have, from a Bank of Canada perspective, if there's inflation. Increasing interest rates would be a tool for him to use. He did say that, so I think we can't assume interest rates are going to stay low after we come out of this. Trillions of dollars in quantitative easing are going on across the world.

Assuming we're in that position, will the Liberals have to adopt a program of austerity and start cutting their budgets, as they did in 1990, or are they going to have to start increasing taxes, or a combination of those things?

Mr. Yves Giroux: I'll address the second part of your question: interest rates rising.

When I say I don't anticipate interest rates to rise, it's in the context of the scenario we released, which only looks as far as the end of 2020, the current calendar or fiscal year. In that short period of time, we don't anticipate interest rates to rise, at least not significantly.

I agree with the governor that interest rates will probably start rising gradually as we get out of this difficult period of COVID-19, because once the economy starts to recover, I don't see any way for interest rates to go but up. They can't go much lower. They are close to a historical low, so they will probably rise. The question is when. Is it next year, early next year, late next year, middle of next year? I don't know.

As to the first part of your question, we have debt locked in, but we have a debt stock of \$600 billion. A proportion of that debt always needs to be refinanced.

The Bank of Canada issues new debt instruments on an ongoing basis, because it's not all 50-year or 100-year bonds. There are some 90-day treasury bills, six months, nine months, a year, and these have to be constantly rolled over. That's why lower interest rates can result in slightly lower or stable interest debt charges, even though the debt goes up.

The Chair: Okay.

Elizabeth, please ask a 30-second question, if you could.

Ms. Elizabeth May: Thank you, Mr. Chair, quickly then.

I know people will feel a natural impulse, when so much money has been spent, that when the pandemic begins to end and we begin to reopen the economy, there will be a call to put the brakes on; we've spent enough. I'm looking at that post-war analogy and the Marshall plan and the various things that continue to be spent.

I have a bias here. I think the federal government and government spending will be, in a lot of ways for governments around the world, the only game in town.

What would be the impact on our economy if we stopped the government stimulus spending as we recover?

Mr. Yves Giroux: Thanks, Madam May. That's a very interesting question, and the answer is not straightforward.

The impact of stopping the stimulus will depend on the strength of the recovery and the speed of the recovery. If the recovery is strong and the engine is full speed ahead, then the impact of withdrawing economic support or stimulus would probably be minimal. In fact, it would be beneficial. It would avoid crowding out private sector investment and economic activity.

On the other hand, if the economic recovery does not materialize, then one could envisage economic support by the government to be needed. It may be at a lower level, because the economy will be reopened, but there might be scope or need for some level of support for more than right after the pandemic is over.

• (1700)

The Chair: Okay. With that we will have—

Hon. Pierre Poilievre: Wayne?

The Chair: Pierre, we're over time. What's your point?

Hon. Pierre Poilievre: It's a terrific one. It will be very brief. Do you think I could just ask a 10-second question of the Parliamentary Budget Officer?

The Chair: Ten seconds is it.

Hon. Pierre Poilievre: Thank you for all you do, PBO, and your office is fantastic.

Let me ask you this: Is it possible, or realistic, that the federal debt could reach \$1 trillion in this fiscal year?

Mr. Yves Giroux: It's possible, yes, realistic, yes. Certainly, it's not unthinkable.

Hon. Pierre Poilievre: Thank you.

The Chair: Okay.

Dr. Yan and Mr. Giroux, we thank you for your appearance. We thank as well all those in the back office who do so much in-depth work. We know that many in the public service are working overtime during this pandemic. Best wishes and safe health to them as well.

We thank you both very much for coming today and answering our questions. Your reports are very valuable to us. They certainly help us at finance committee to do our job.

With that, we will suspend the meeting and come back to our panel with the Auditor General.

Thank you.

• (1700)

(Pause)

• (1710)

The Chair: We will call the meeting back to order.

Welcome, folks, to panel number two of meeting number 27 of the House of Commons Standing Committee on Finance. We're meeting pursuant to the order of reference of Tuesday, March 24, that the government meet on the government's response to the COVID-19 pandemic. As everyone knows, the meeting is taking place by video conference, and the proceedings will be made available by the House of Commons website.

For the second panel, we're pleased to have with us, from the Office of the Auditor General, Sylvain Ricard, interim Auditor General of Canada, and Andrew Hayes, deputy auditor general and interim commissioner of the environment and sustainable development.

Welcome, folks. I believe we have about 90 minutes, in that range. If you want to start with an opening statement, then we'll go to rounds of questions.

Just for committee members, we will start the rounds of questions with Mr. Poilievre, then Ms. Dzerowicz, Mr. Ste-Marie and Mr. Julian.

The floor is yours, Mr. Ricard.

[Translation]

Mr. Sylvain Ricard (Interim Auditor General of Canada, Office of the Auditor General): Mr. Chair, thank you for inviting us to discuss the role of the Auditor General in examining the government's response to the COVID-19 pandemic.

With me today is Andrew Hayes, Deputy Auditor General and Interim Commissioner of the Environment and Sustainable Development.

We appreciate the opportunity to be here today, and I would like to thank members of Parliament, their staff, and all the staff of the House administration who have been working to ensure that standing committees can continue to operate.

In these challenging times, I want to acknowledge the commitment and engagement of Canadians as they deal with this pandemic, including members of the federal public service and my office's staff.

The Office of the Auditor General of Canada has received three requests for audits from the House of Commons since Parliament resumed in January. We have informed the Speaker of the House that we will do these three audits

First, on January 29, the House of Commons adopted a motion calling on my office to conduct an audit of the government's investing in Canada plan and to report our findings no later than one year following the adoption of the motion.

Then, on March 13, an order made by the House of Commons called on my office to conduct an audit of special warrants that could be issued under the Financial Administration Act and to report our findings no later than June 1, 2021. We understand that no special warrants have been issued to date.

Lastly, on April 11, the House of Commons adopted a motion requesting that we conduct an audit of the COVID-19 emergency response taken by the government and report our findings no later than June 1, 2021.

On April 28, we informed the Speaker of the House that we are prioritizing COVID-19 audit work and the audit of the investing in Canada plan. We also said that we will submit our findings to Parliament as soon as we can complete the audit work.

With respect to the COVID-19 audit, we have analyzed the specific elements of the audit that the House of Commons requested, including the spending undertaken pursuant to the Public Health Events of National Concern Payments Act and the exercise of the provisions of the Financial Administration Act and the Borrowing Authority Act. The leaders of our performance audit and financial audit practices have been working together to identify the areas that should be covered in our COVID-19 audit work.

Of course, we have been monitoring the initiatives that the government has been introducing to respond to the pandemic. As part of our planning work, we have been analyzing spending related to protecting health and safety, support to individuals and businesses, and other liquidity support and capital relief.

We also believe that it is important to consider elements of emergency preparedness and early response actions. This may allow us to identify good practices and areas for improvement in case there is a future wave to this pandemic or to be ready for a future pandemic that may arise.

• (1715)

[*English*]

We welcome any input that the committee may have on areas we could examine as part of our COVID-19 audit work.

Since the beginning of the COVID-19 pandemic, we have recognized that many departments and agencies are on the front line and they are devoting a tremendous amount of time and resources in responding to the pandemic. We are mindful of their operational realities, and we want to make sure that our audit work will not divert their attention away from the support and services they need to provide to Canadians. We will exercise judgment and will strive to be as accommodating as possible when we ask for interviews and documents that are needed for our audit. We have started to engage with senior public servants to explore ways to conduct our audit work while minimizing the impact on the operations of departments and agencies. We are also mindful of the challenges that come with physical distancing measures.

Going back to the April 11 order, I will make a few comments about my office's resources. The order called on the government to take measures that are necessary to ensure my office has sufficient resources to conduct the work we have been asked by the House of Commons to do, including the COVID-19 audit and the audit of the investing in Canada plan.

As members may know, our office has faced resourcing pressures in recent years. In 2017, the former auditor general, Michael Ferguson, sought permanent additional funding through the government's budget process. We received some of the funding that we requested in the 2018 federal budget. We continued to pursue additional resources in the 2019 budget cycle but did not get any new funding at that time. When we appeared before the Standing Committee on Public Accounts in May and June 2019, and again in February 2020, we told the committee that our limited resources meant we had no choice but to decrease the number of performance audits that we conduct. Ten years ago, we were completing about 27 performance audits every year. With our current resources, we expect to be able to deliver 14 performance audits each year.

Given the nature and extent of the work we believe is required to conduct the audits of the investing in Canada plan and the COVID-19 response, and in light of our limited resources, we had to revisit the timing for completing and reporting on our current and future performance audit work. On that basis, we informed the Speaker of the House that we have had to delay all other performance audit work that is not related to the motions adopted by the House of Commons.

Let me be clear: Decisions to postpone planned audit work are difficult to make. The topics we select for our audits are important to parliamentarians and Canadians. Given our limited resources, we did not have the capacity to salvage some of the important audit work that we have now had to postpone. We don't know when we will be able to get to that work.

We are ready to answer any questions that the committee may have.

Thank you.

• (1720)

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

We will go to the first round of six-minute questions, starting with Mr. Poilievre and then on to Ms. Dzerowicz.

Pierre.

Hon. Pierre Poilievre: Mr. Auditor General, are you telling us that you've had to delay some of your audits because the government has not given you enough resources to conduct them?

Mr. Sylvain Ricard: As I mentioned in my opening statement, back in 2017, the former auditor general, Mr. Ferguson, made a request for \$21 million at the time. That was to deal with additional mandates that we had to conduct, more complex environments and a need to make significant investments in our technology to have the tools to do that analysis in the new reality out there—

Hon. Pierre Poilievre: I know. We're just very short on time, sir.

I'm asking, though, based on your description in your opening statement, do you have enough money to perform the audits you have before you?

Mr. Sylvain Ricard: To be sufficiently funded, we said to the public accounts committee that we needed \$10.8 million.

Hon. Pierre Poilievre: What do you have now?

Mr. Sylvain Ricard: Again, out of that \$10 million, we got nothing.

Hon. Pierre Poilievre: Nothing.

Mr. Sylvain Ricard: We got \$7 million in 2018, and nothing out of the \$10.8 million that we asked for in the 2019 budget.

Hon. Pierre Poilievre: This is a government that's prepared to send billions of dollars around the world to all kinds of causes, but for some reason, the one thing it doesn't want to fund is a sufficient auditor to hold its spending accountable. At a time when we're doing record spending—this government is going to run a quarter-trillion-dollar deficit—and we don't have a properly funded auditor to look into that spending.

I want to turn my attention to the infrastructure program. The government claims it's spending \$180 billion on infrastructure, but the Parliamentary Budget Officer points out that they have no plan for how to spend that money. That's why the Conservatives put forward a successfully passed motion that you would audit that plan to find out where all the money is going. Are you going to make sure that your report identifies a list of projects that add up to the total number of infrastructure dollars the government claims to have spent in each year?

Mr. Sylvain Ricard: Sorry, Mr. Poilievre, I'm not sure I heard.... Are you referring to the COVID audit or the infrastructure audit?

Hon. Pierre Poilievre: It's the infrastructure.

Mr. Sylvain Ricard: That is something that obviously we need to do. When we audit that program, we're going to do it at two levels: the overall management of it, the overall coordination of it, the full big picture, and then a second layer that will address more audit-specific elements or components.

Hon. Pierre Poilievre: When I asked the Parliamentary Budget Officer if he could identify all of the projects that add up to the total the government claims to have spent on infrastructure, he said there is no list of projects that could do that. In other words, we don't know where some of the money has gone. It's sprinkled about in dozens of different departments, and no one can actually attach those dollars to projects and make the two match. I hope you will ask them for a full list of projects with their full costs, and the total should be the sum of the parts.

On the issue of the COVID-19 spending, do you have enough financial resources to audit the more than \$150 billion in expenditures that this government is pursuing, purportedly in response to COVID-19?

• (1725)

Mr. Sylvain Ricard: As I said earlier, we have clearly had challenges with limited resources for years. We're behind, and there's nothing we can do about fixing the investment we should have made over the last few years. We will have to make difficult choices. That is reflected in every area of our office, even our financial statement audit these days. The COVID situation simply demonstrated—times 10 if I can say it that way—the struggle we were living. We had no leeway, no way to adapt to additional requests from the House, no way to invest in technology and get our staff the tools they need.

Hon. Pierre Poilievre: Right.

Mr. Sylvain Ricard: The current situation just amplified the challenges we've been facing for years.

Hon. Pierre Poilievre: To top it off, the government has kept you on an interim basis for months now, which is a typical governmental tactic used to ensure that they can fire you as soon as you do something they don't like. An interim position means they can get rid of you whenever they choose, and that leaves you in a position where you're dependent on them. The Auditor General's position is supposed to be a fixed term of 10 years so that the AG can feel totally independent in the examination and reporting he or she does on government activities.

Do you have any comment on why the government would have kept you in a so-called interim position for so long?

The Chair: I don't know if that really relates to the COVID-19 study that we're doing, Pierre.

Hon. Pierre Poilievre: Wayne, let him answer the question. Stop covering it up. Stop covering it up. Let him answer the question.

The Chair: I'm not trying to cover it up, but—

Hon. Pierre Poilievre: Let him answer the question, then.

The Chair: —if Mr. Ricard wants to answer the question.... I think that's going a little overboard.

Hon. Pierre Poilievre: Leave that to the people to decide.

The Chair: Go ahead, Mr. Ricard.

Mr. Sylvain Ricard: I'm going to say two things.

First, that is a process that belongs to the Privy Council Office. I don't know where the staff are and the status of all that, so I can't comment on that part.

What I can say—and this is something that I've said in other committee hearings—is that I want to reassure the committee and Canadians who are watching, that interim or not, I will do everything I have to do. I'm going to say whatever I have to say to do the job. I am representing an important institution, which is the Office of the Auditor General, so again, interim or not, that is not changing how I'm approaching the work.

The Chair: Thanks, both of you

We're turning to Ms. Dzerowicz and then to Mr. Ste-Marie.

Ms. Julie Dzerowicz: Thank you so much, Mr. Chair.

I want to thank our Auditor General. I want to thank you and your team for your wonderful work and for being here today, and I want to thank you for your extraordinary service to our country. Interim or not, we're so grateful to have you.

First, very quickly, I want to address resources. According to my notes, the Harper Conservatives cut \$6.5 million and 60 employees from the Auditor General's budget. I know that our Liberal government, since we've come into office, has tried to commit some additional spending. In budget 2018, I know that we committed more than \$41 million in additional funding to the Office of the Auditor General, which is a 16% increase relative to the 2015-16 fiscal year. Have you not received any of that yet?

Mr. Sylvain Ricard: In a nutshell, this can become a very complicated numbers game, but back in the strategic review, yes, we returned, on a voluntary basis at the time, I'm going to say \$7 million.

Since then, what happened in 2017, as I mentioned, is that the former auditor general identified that we got to a point where we could not delay some important investments anymore. Over the years, we had to absorb new mandates, and so on and so forth, and did not have the capability to invest in technology—an important tool—so we got to a point in 2017 where we could not stand by the level of funding we were at after the review back in 2011.

• (1730)

Ms. Julie Dzerowicz: Thanks so much for that. I do think it's very important for your office to have sufficient resources to be able to conduct the important work you do.

I want to turn our attention to the motion of April 11, which you talked about, in terms of conducting an audit of the spending undertaken and money borrowed due to COVID-19.

First, what period of time will the audit cover, given that you must report your findings to the House of Commons no later than June 1, 2021?

Mr. Sylvain Ricard: We will start from the first initiatives that were put in place. We'll start from the beginning, basically, and at some point we will have to make a choice on where to draw the line.

Another thing I should probably say is that part of the solution may end up being for us to issue interim reports, so it may end up being that we will do some of this work in the coming year and year and a half, let's say, and more the year after. In the meantime, especially in the coming year, we may choose the approach of issuing interim reports if we have enough to bring forward in a relevant and useful way.

Ms. Julie Dzerowicz: When you say “the beginning”, do you mean March 15, officially, or the first time we actually announced a program?

Mr. Sylvain Ricard: I don't have the exact date here, but I'll give an example. There's a report, the bimonthly report that is tabled to the committee. There's the whole list of initiatives there, so we will want to make sure that the report is all inclusive, from the very first initiative. From what we could see, I think the very first that we could remember are there. Again, I wouldn't want to be quoted on that. An auditor likes to have all of his facts straight before speaking, but I'm trying to illustrate that we will identify the very first initiative, and we're going to start from there.

Ms. Julie Dzerowicz: Perfect.

Do you think the audit for COVID-19—this motion—will be different from any of the other audits regularly conducted by your office?

Ms. Julie Dzerowicz: It's okay. Sorry.

Do you think the audit for the COVID-19 pandemic will be conducted differently from any of the other audits that are regularly conducted by your office?

Mr. Sylvain Ricard: No. I and everybody in the office take pride in the quality of our work. One of the reasons for the quality and the relevance of our audit work is that we can rely on very robust ways of performing our audit work. The same basic all-inclusive processes will be adhered to in the same way to ensure that we bring forward, in the same way as in the past, quality audit work.

Ms. Julie Dzerowicz: Okay.

Have you already begun your audit? If so, can you comment on its progress and whether you've encountered any difficulties thus far?

Mr. Sylvain Ricard: I will ask Mr. Hayes to maybe add to this.

Yes, as soon as we saw the motion, we convened the leaders in the office and started the process. This is an audit where we will want to cover various elements of the initiative or the program in terms of the support to individuals and support to businesses, and the liquidity aspect. We could do that from the perspective of whether those initiatives were well managed, as a regular audit, but we would also want to make sure, as I said in the opening statement, that we have elements that are more in terms of the lessons learned and a way of improving for future events, if they ever happen.

The Chair: Mr. Hayes, do you want to add to that?

Mr. Andrew Hayes (Deputy Auditor General and Interim Commissioner of the Environment and Sustainable Development, Office of the Auditor General): Yes. Thank you very much.

We have started our audit work. In the normal course, audit planning can take a number of months, and we're accelerating that right now. We are dealing with the senior public servants responsible for the departments that we will have to audit. We are recognizing, of course, that many of them are on the front line, and we don't want to distract from the services and support they're providing to Canadians right now. We're working with them to make sure we are able to conduct our audit work in a way that doesn't interfere.

That said, we are very keen on getting our work going, recognizing that we're going to manage logistical challenges as we go.

• (1735)

Ms. Julie Dzerowicz: Perfect. Thank you so much.

The Chair: Thank you, all.

We'll go to Mr. Ste-Marie, followed by Mr. Julian.

Gabriel, the floor is yours.

[Translation]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Welcome, Mr. Ricard and Mr. Hayes.

I will begin with a comment for the chair, and for everyone.

Mr. Ricard, in your introduction, you made it clear that your office does not have sufficient funding to do its job properly. That is extremely troubling.

Mr. Chair, I think Mr. Poilievre's very pointed questions relate directly to COVID-19. We realize that the Office of the Auditor General of Canada does not have the resources needed to thoroughly analyze this crisis. With all due respect, I think his comments were entirely justified. We can only hope that this might spur the government to grant Mr. Ricard permanent status as Auditor General immediately.

My first question, Mr. Ricard, has to do with the Canada Development Investment Corporation, which will manage the large employer emergency financing facility. Normally this corporation would not manage government programs because it owns assets. Consider for example Trans Mountain, or General Motors Canada when they were nationalized, and so on. The Auditor General audited the corporation in 2018 and concluded that there were serious deficiencies in its governance regarding possible conflicts of interest within its board. The Auditor General also noted weaknesses with respect to board independence; risk identification, assessment and mitigation; and risk monitoring and reporting.

Do you think the Canada Development Investment Corporation is the appropriate vehicle to manage a government program, to decide who will have access to this assistance and to set conditions for ensuring that society as a whole benefits?

Do you think this is consistent with its mandate?

Thank you.

Mr. Sylvain Ricard: Unfortunately, I can't really comment on that question, since that is a policy decision. It's up to the government to decide which vehicles it uses to deliver services. I believe you're referring to weaknesses found as part of a special examination report.

Obviously, in terms of managing a program or certain aspects of a program as big as this one, it's important to ensure that proper controls and structures are in place.

Mr. Gabriel Ste-Marie: Since your report in 2018, do you think the necessary changes have been made within the corporation to prevent those problems from cropping up again?

Mr. Sylvain Ricard: Unfortunately, I can't comment on that question. Special examinations are conducted according to the law at least once every 10 years. However, they can be done more frequently, depending on the organization and the situation, but basically, it's once every 10 years. At this time, we haven't done a follow-up audit since 2018.

Mr. Gabriel Ste-Marie: Thank you.

To the committee, I want to say that I find this very troubling. This Crown corporation has been proven to have many problems, and now it's going to manage a huge assistance program. I think we need to keep a very close eye on this.

Mr. Ricard, the government has made roughly \$200 billion available in loans and loan guarantees. We're not really sure where this is going to end. The Canada account now has no upper limit. Parliament is voting only on spending, and those loans and loan guarantees will become expenditures once they are discharged after a few years. At that point it'll be too late to exercise even the slightest control.

Is there any way to have greater control over what's being done?

• (1740)

Mr. Sylvain Ricard: Obviously, any time loans and loan guarantees are offered, there's some risk involved. It will therefore be important to develop ways to track the risks being assumed by the government.

Right now, however, planning has only just begun, and there have been a number of initiatives. I'm sure you can appreciate that I'm not familiar with all the details of each and every initiative. That said, clearly, with \$200 billion on the line, it'll be important to put a mechanism in place to make sure that we can reduce the risk we are taking on.

Mr. Gabriel Ste-Marie: So, it's important to have mechanisms, but for now, you're not in a position to suggest any specific, concrete mechanisms that might be useful.

Mr. Sylvain Ricard: Actually, it depends. Obviously, we need transparency, responsibility and accountability. However, at this time, I don't know enough about the details of this initiative to go ahead and identify the appropriate controls that will be needed. Furthermore, the work we do is all about assessing how various programs are managed.

Mr. Gabriel Ste-Marie: Thank you.

Mr. Chair, I see I have a bit of time left, but my other question was a long one, so I'll hand it over to my colleague, Mr. Brunelle-Duceppe, so he can ask it in the next round.

[English]

The Chair: Thank you, Gabriel.

We turn now to Mr. Julian, who will be followed by Mr. Cooper.

Peter.

Mr. Peter Julian: Thanks very much, Mr. Chair.

Monsieur Ricard and Mr. Hayes, thank you very much for being here today. We hope that your families as well as the entire team at the Auditor General's Office are safe and healthy.

I must say that what I think is very clear to the Canadian public and what I'm seeing is a lot of finger-pointing, the Conservatives pointing a finger at the Liberals and the Liberals pointing a finger at the Conservatives, for what has been dramatic underfinancing of the functions of the Auditor General. These are extremely important, and the fact that you've actually had to cut your performance audits in half is indicative of a real problem. Both governments, the previous Conservative government and the current Liberal government, share the blame on this. Instead of finger-pointing, they should just be acknowledging the errors that have been made in not providing the supports that are so important for your office. Canadians are definitely on your side. You perform an extremely important function, and you need to be financed adequately in order to do that. That's in the interests of all Canadians.

My first question will be around the issue of bailouts. We went through the economic crisis in 2008. Money was being given out. We've seen, subsequent to that, that a lot of loans were basically written off. At the beginning of this year, we had \$200 million that was written off, a loan to a Canadian company that the government refused to disclose. The Liberals said that in the interests of commercial confidentiality they couldn't disclose it, but that all decisions made by cabinet are in the best interests of Canada. So \$200 million just disappeared in a moment. We saw previously under the Conservative government similar monies just disappearing.

How do we make sure that we are not seeing corporate bailouts, corporate gifts, just disappearing when that happening is not in the public interest? When your office flags these very legitimate concerns about bailouts that are loans that become gifts, how do we ensure that we simply don't see this abuse of the Canadian taxpayer and that every dollar that's invested is actually used for its intended purposes, and that loans given to Canada's most profitable corporations are actually paid back?

Mr. Sylvain Ricard: One of the things we will look at is to make sure that, as I was mentioning earlier to your colleague, there is proper accountability, proper reporting and transparency. That's the key. If you don't provide transparent reporting on the initiatives, that's far from being the best practice.

You need to disclose your various investments, your various transactions. There are various means. Whether it be the COVID initiative; the infrastructure program; or the broader transactions of the government through the financial statements of the government, the various entities and the crown corporations, proper and transparent reporting is important.

• (1745)

Mr. Peter Julian: This is something that you're asking government to do. I think it would be important for us to follow the reports that have come out over the years from very respected people such as yourself who actually tell Canadians how government should be structured. Instead of the secrecy and these special closed-door agreements, often with lobbyists involved, we need to make sure that we're protecting the public purse and that every dollar actually counts.

Seniors who are struggling to put food on the tables, families who are struggling to keep a roof over their heads and Canadians who are struggling to keep their jobs should receive the best possi-

ble disclosure and transparency around every dollar that's spent. That wasn't the case under the previous government; it hasn't been the case under the current government; and it definitely needs to change.

I want to come to the issue of the use of the Canada account. Particularly, we've been told at the finance committee that coming out of COVID-19, coming out of the pandemic, that there will be a massive splurging of somewhere around \$15 billion to \$20 billion in construction for the Trans Mountain pipeline. That's in addition to the purchase of all of the assets, which was done, basically, with no due regard to the public purse.

I'm wondering to what extent you're concerned about the use of the Canada account in such an egregious way, basically bypassing Parliament to spend tens of billions of dollars, potentially, in this case, for a project that the private sector walked away from because it's simply not a project that has any economic foundation.

Are you concerned about the use of the Canada account in this secretive way?

Mr. Sylvain Ricard: Again, as I mentioned earlier, it's too early to comment on specific transactions; I'm not familiar enough with all of the various elements.

What I can say about the Trans Mountain component is that last year we issued our first audit report on their financial statements. We will do that again this year. I would say, probably in the early fall, or something like that. Beyond that, at this point, I cannot make any further comments because I don't have all the details of all of those transactions.

The Chair: I'm sorry. We'll have to end it there.

Thank you both very much.

Next is Mr. Cooper followed by Ms. Koutrakis for the five-minute round

Mr. Michael Cooper: Thank you, Mr. Chair.

Thank you, Mr. Ricard, for being here.

Let me say that in terms of funding for the Auditor General, my questions and comments are in the spirit of seeing that the Auditor General has the full resources that are required, especially in light of the fact that we have a government that in the last two months has spent more than Canada spent during the Second World War, adjusted for inflation. When we speak about a \$10.8-million increase, that is a rounding error in terms of the federal budget.

Mr. Ricard, you talked about \$10.8 million. The context in which that request was made was after your office had its mandate expanded. In other words, you were pre-COVID, doing more work yet had no additional resources. Isn't that correct?

Mr. Sylvain Ricard: Yes. Over the years, between 2011 and 2017, when the former auditor general asked for the additional funding, we had a number of new mandates given to us. These included the Canada Infrastructure Bank, Trans Mountain Corporation, some museums and some work in the territories.

We can't forget that we're doing audit work, whether it be performance audits or financial statements. We're doing that for the three territories as well; it isn't just the federal government. There was also the Federal Sustainable Development Act, which meant that we went from 26 entities to review up to 90.

• (1750)

Those are just examples of the mandate component, but we have other pressure points, and it's becoming concerning.

Mr. Michael Cooper: Right. Exactly. Other than the three motions put before Parliament, you stated that all other audits are delayed. You said in your testimony that you don't know when your office will have the capacity to undertake work on those audits to complete them.

Would it be fair to say that it could be as long as past June 2021 when you're due to report on the COVID spending initiatives?

Mr. Sylvain Ricard: There was obviously some work. For example, we have three reports that were due for tabling in late March, but with what happened in mid-March with the pandemic, we've put that aside. So those three are ready to be given to the House. But we had to delay all other work that was being done. Some would have been for this coming fall; at a minimum, it will be spring 2021.

Beyond that, we had to stop everything else because we simply don't have the capacity. Even with COVID, there's probably enough there for another year's worth of relevant work. It's early in our planning, but the way we look at this, there's a lot here, and we need to look at it.

Mr. Michael Cooper: So there is a significant delay. There's a large amount of work for your office.

One of the audits that was in one of the three motions passed by Parliament this year concerns the \$187-billion infrastructure program. Do you anticipate that audit being completed and reported by January 2021 in light of the limited resources your office now has, and despite the fact that you are prioritizing the mandate provided by way of the three motions, or rather the audits that have been requested?

Mr. Sylvain Ricard: I'm going to ask Mr. Hayes to speak to that.

Mr. Andrew Hayes: We are working diligently on the infrastructure audit right now. As Mr. Ricard mentioned, we have prioritized the investing in Canada plan audit and the COVID audit, and that is the reason we delayed all the other work we had on the forward audit plan.

At this point we are accepting the fact that departments are dealing with the pandemic crisis and that in some cases, whether it be our own ability to have staff available because of physical distancing and IT resources, or the actual department's ability to respond to our audit request, we could see some delays. But we are working diligently to meet the deadline as much as we can.

If there are delays to our tabling plan, we will let Parliament know in due course.

The Chair: Thank you, we'll have to end that round there.

Ms. Koutrakis, you're next, followed by Mr. Cumming.

Ms. Annie Koutrakis: Thank you, Mr. Chair.

Thank you for your testimony today, Mr. Ricard.

I think we'll all agree that during this unprecedented time, many of my constituents and Canadians are reflecting on their personal finances and well-being, as well as the economic future of our country.

In your opinion, how will an audit of the government's measures help to address some of these concerns or uncertainties and make Canadians feel confident about the future of our economy?

Mr. Sylvain Ricard: As I mentioned in the opening statement, we planned this audit work. We want to look at it from two perspectives. If I refer to the COVID-19 audit, there are various elements. Some of the audit is to support individuals and some of it is to support businesses. It's important that those various programs, to have their impact, be well managed, well planned and well delivered, and that somebody is monitoring and adjusting as they are being delivered and as we report on them.

At the same time, we want to have enough audit areas from the perspective of what can be learned from that, from various perspectives, in case it happens again and what economic impact it has. To have the biggest or the best impact, you need to learn from the past. I guess I'm speaking that way because I'm an auditor, but I like to think that an audit is a great vehicle to allow organizations to learn and improve. We'd like to think that, with the work we will do, we will do exactly that, help the government improve, and that it will have a better impact on Canadians in the future and in the short term by learning through the audit work we do.

• (1755)

Ms. Annie Koutrakis: Thank you for your answer and thank you for your work.

I have one question for Mr. Hayes. With infrastructure projects being considered as a post-crisis economic stimulus, can you offer some recommendations around which types of projects would offer the greatest boost to the economy, while we're working toward our government's goals of sustainable development and the protection of the environment? I know you don't have details, but I'm sure you must have done some analysis, and perhaps you can recommend some projects.

Mr. Andrew Hayes: At this point, it would be too early for me to comment on that. Typically, with the audit work we do, we look at the projects the government has chosen to fund. We would end up looking at whether the funding has been provided to the recipients that should have gotten it and in the time frames that it should have been issued.

You mentioned sustainable development. I would like to mention, as interim commissioner of the environment and sustainable development, that sustainable development goals form part of our audit planning work. There are a number of sustainable development goals that are at issue when we're looking at the COVID response. Of course, with sustainable development, we have to remember that's always a balancing of economic, social and environmental considerations, but we are planning this work in a sustainable development context.

Ms. Annie Koutrakis: Has any analysis been done on the federal government's initiative to clean or reclaim orphaned oil wells? Can you comment on how this program will work to promote environmental sustainability while providing support to the furloughed workers in the oil and gas sector?

Mr. Andrew Hayes: We do know about the recent investments that have been announced. That will most likely be a portion of the work that we will look to be doing in this audit.

The Chair: Thank you all.

We'll turn, then, to Mr. Cumming next followed by Mr. Fragiskatos.

Mr. Cumming, go ahead.

Mr. James Cumming: Thank you, Mr. Chair.

Mr. Ricard, thank you for the work that you do.

I'm new to Parliament and spent my career in the private sector. I think the role of auditor is misunderstood, particularly with performance audits. We would welcome performance audits as a source of improving operations and trying to get better as a company, and I think the same thing should happen with government.

My concern here, and it's head-scratching to me, is that we're undertaking this volume of program spending and we haven't included sufficient capital for the auditors to do their jobs and make sure taxpayers' dollars have been well spent. This is a concern particularly to your comments about ensuring that, if we got into a situation like this again, we would understand better whether these programs work or not.

For you, as a career auditor, it must strike you that.... As someone said, it's a rounding error. For the life of me, I can't understand it. Forget about the past; we're in it today. With \$200-billion worth of spending, surely we should have more comprehensive audits at this time.

• (1800)

Mr. Sylvain Ricard: I guess all I can say is that I have been attending public accounts committees with the former auditor general, Mr. Ferguson, and then by myself, with other colleagues, as an interim, and have been loud and clear. The former public accounts committee, in its legacy report and as a letter to some key players in the federal system, had a unanimous position on the fact that we should get the additional funding.

I don't know what more I can say about that, aside from saying that for the institution, the important institution that the Office of the Auditor General is, it's concerning. We're even these days having challenges to deliver our financial statement audit work. Again, the specific context makes it so. It just demonstrates the challenges

we've been facing for years, and that we have no flexibility, no leeway, and as soon as something happens, we have to make difficult choices.

Mr. James Cumming: Well, thank you for that.

On your audit related to the COVID emergency spending, will it include—and I suspect it will—the efficacy of the programs that were put in place? Many of them have cliffs, or they're based upon revenues of companies and the revenue is falling or gaining, and people could stop getting the subsidy or continue getting the subsidy. Into what kind of depth will you be able to go to make sure that the programs are doing what they're intended to do?

Mr. Sylvain Ricard: Difficult again.... As I mentioned earlier, we are still somewhat early in the plan to decide which program we will choose for this year, let's say, and then maybe we'll decide that there's enough for the following year, and then, for those programs, what angle, scope and criteria we will use for the others.

As a minimum, we're there to make sure that, overall, the program is well managed and well delivered, so obviously we will want to make sure that there was some good planning done and that decisions were based on information. When you refer to that criteria that organizations had to meet some test or some conditions to have access to this, we will want, as a minimum, to make sure the departments have in place all the means to confirm that, monitor that and deal with any adjustments, if there is a need for adjustments in the conditions going forward, and/or to follow up with the organizations if they don't meet the conditions and they're not supposed to have access to the funding.

Mr. James Cumming: You mentioned that you have three audits that are complete and ready to go, except that Parliament is not sitting in its normal fashion. What are those three audits that are ready to go?

Mr. Sylvain Ricard: We had to inform Parliament through the Speaker in late March or mid-March that, given the conditions, we could not table our reports on supplying the Canadian Armed Forces, immigration removals and student financial assistance. Again, those three are ready to be tabled. Whenever the public accounts committee comes back, we will reach out to them and see what the way forward will be.

Obviously, in light of the current circumstances, we will have to reflect on whether that has any impact on any of those three audits, but we'll take it from there based on discussions with the public accounts committee.

Again, those are the three that we were to table. I think March 24 was the date.

The Chair: Okay. Thanks to all of you.

We'll go to Mr. Fragiskatos and then to a fairly quick round with Mr. Brunelle-Duceppe.

• (1805)

Mr. Peter Fragiskatos: Thank you very much, Mr. Chair, and thank you to the Auditor General and Mr. Hayes for appearing today.

Mr. Chair, it could come as a shock to you, but the new-found interest that Conservative colleagues have in the work of the Auditor General could be questioned for its sincerity. The Harper government, after all, cut \$6.5 million from the budget of the AG and 60 employees from the AG's budget.

This federal Liberal government restored that funding, but I think it's important to put on the record, because if we're going to be consistent in recognizing the respect of the work that is completed by the Auditor General—and I think it is very important work, to be clear—then we have to be certain about what past governments have done. From there, we can judge the sincerity of particular questions, but I don't want to digress too much.

Mr. Ricard, could you give us an idea of the work that was done by the Auditor General's office during the time of the post-2008 financial crisis and the sorts of questions that the office examined at that time?

Mr. Sylvain Ricard: I'm sorry, I don't think I have much to say except that the one that comes to mind—my point is that there may be others, so I'll ask Mr. Hayes to perhaps expand on this—is an audit of the initiative that was put in place way back then to invest in various areas in the country.

Mr. Hayes, I don't know if you want to expand on that one.

Mr. Peter Fragiskatos: Before you do, Mr. Hayes, just to be clear, I ask the question as a way of understanding certain questions that were asked then that could be applied to studying the situation now and in the coming months as a post-recovery economic plan begins. It's already unfolding, but this is something that will be with us for some time. It's about applying what we saw the AG's office do at that time and seeing whether the same sorts of issues could be examined—or not, because obviously this is a very different downturn in shape and form. I think comparing and contrasting is useful.

Mr. Andrew Hayes: Indeed, the economic action plan work that we did in 2009 and 2010 is probably the most instructive, at this point.

To give you a brief history, in March 2009 then auditor general Sheila Fraser wrote to the secretary of the Treasury Board to discuss what expectations we would have as an office, including coordination and integration both within the federal government and with provincial governments' effective management and control over spending. Ms. Fraser noted the importance of establishing a high-level oversight committee that could help to steer programs and adapt to situations that could come up.

We delivered our first report on the economic action plan in fall 2010. I suppose it was similar to the situation we're in now, which is auditing in real time. At the time, we looked at whether the programs and processes were designed and streamlined in a way that would allow the government to act quickly to get funds out where they needed to be. We looked at eligibility criteria and whether early funding was based on eligibility criteria, whether central agen-

cies paid attention to risk and mitigated those risks, and whether the government met its quarterly reporting requirements.

In the second economic action plan audit report, which we delivered in the fall of 2011, we talked about the government's monitoring of progress and spending. We identified some opportunities for better performance measurement and reporting. I think looking back at those audits would probably be the most instructive for this current—

Mr. Peter Fragiskatos: Mr. Hayes, are there lessons learned from that experience that this federal government could keep in mind when it comes to the planning that's already taking shape, in fact, and when it comes to the economic recovery that we're going to see in the next few months and perhaps next few years?

Mr. Andrew Hayes: Right off the bat, I think we were clear. We wrote to the government early on to say that while we recognize they need to move quickly, it's important to ensure that decisions, rationales and processes are properly documented. Of course, we'll be looking at the same ideas in terms of financial management control and eligibility. The theme of reporting and transparency will obviously be a very important one that we will be looking at as well.

• (1810)

The Chair: We'll have to end it there, folks.

We'll go to two-and-a-half-minute rounds for the next two questioners.

We have Mr. Brunelle-Duceppe, followed by Mr. Julian.

Alexis.

[*Translation*]

Mr. Alexis Brunelle-Duceppe: Thank you, Mr. Chair.

My question is for Mr. Hayes.

In the context of COVID-19, of course the government is loosening the purse strings to bring in a number of measures, but I see a bit of a paradox here. I'd like to get your opinion on this.

In 2009, Canada joined other G20 countries in committing to gradually eliminate the ineffective investments and subsidies being injected into the fossil fuel sector, including dirty oil in Alberta. It appears that not very much has been done since, and in fact, the federal government has invested billions of dollars in the industry. Consider for example its purchase of Trans Mountain and oil tanker cars and its subsidies to businesses. We understand that the oil industry is having serious difficulties. That much is obvious. Should this not actually be taken as a sign that the government should stop investing public money in this sector, and invest instead in areas that will foster the emergence of a non-oil economy, especially in Alberta?

Mr. Andrew Hayes: First of all, I think it's worth noting that the audit we did on fossil fuel subsidies was conducted after the government had already committed to eliminating the inefficient subsidies. I would add that our work focused only on that point, and not on the government's policies.

Mr. Ricard, would you like to add anything?

Mr. Alexis Brunelle-Duceppe: I'm satisfied with that answer. If I have enough time, I'd like to ask Mr. Ricard another question.

Mr. Ricard, the Auditor General carries out audits after the fact, but what parliamentarians need most right now is someone to keep an eye on all of these extraordinary programs in real time, to ensure that some degree of control is exercised.

Can you tell me briefly, considering the scope of spending that is happening right now, whether the Auditor General would be able to carry out real-time audits in order to raise red flags in case of any problems, instead of simply checking the books after the fact?

Mr. Sylvain Ricard: Yes, it is possible to audit in real time. Mr. Hayes talked about our audit of Canada's economic action plan, which was launched in 2008 or 2009. As I mentioned earlier, we can do interim reports, and we will not wait until the end of the process to present our reports.

So yes, we will do them as we go along. We are in the planning process and just starting to communicate with organizations. We're beginning our work, and we won't wait for the crisis to be over if we have concerns to raise. We'll do so in due course rather than waiting to produce a huge report at the end. It's quite possible that we won't have any other reports to present. It is entirely possible for us to do that as part of our work.

Mr. Alexis Brunelle-Duceppe: Thank you very much to both of you.

[*English*]

The Chair: We turn now to Mr. Julian. First up in the next round will be Mr. Morantz.

Peter.

[*Translation*]

Mr. Peter Julian: Thank you very much, Mr. Chair.

My question is for Mr. Ricard.

When I look at the reports presented by the Office of the Auditor General of Canada over the years, I see references to a lack of transparency on the part of web giants. You also touched on the subject of tax havens.

As we know, Canada is missing out on tens of billions of dollars that should be part of the common good of Canadians.

What can you suggest to help us create a fair tax system?

Ultra rich web giants and large corporations that make huge profits invest in tax havens. They take their profits out of the country to avoid paying taxes.

In the context of COVID-19, how can we stop this from happening? We could use those financial resources to get out of the pandemic and the resulting economic crisis that goes with it.

• (1815)

Mr. Sylvain Ricard: I'm inclined to first say that there's a very important audit to be done just on that topic.

As part of the audits we need to do right now in the context of COVID-19 and infrastructure, I'm not sure how much we'll be able to look at that aspect. Those are obviously areas where we would expect the Canada Revenue Agency, for example, to play its part in ensuring that everything is being done properly.

Obviously, this must be done in accordance with the existing tax laws. I'm sure you understand that I can't comment on that, as those are policy decisions. However, since a legislative framework regarding taxation exists in Canada, it's absolutely crucial that the comprehensiveness of the tax base be protected and that the players involved play their parts.

Considering the scope and complexity of the matter, right now I can't commit to auditing that thoroughly in the present context, but obviously, it's important.

[*English*]

The Chair: Thank you both.

We'll move to Mr. Morantz, and then Mr. Fraser.

Mr. Marty Morantz: Thank you, Mr. Chair.

This is a very interesting discussion. Not just for me as an MP but as a Canadian citizen, Mr. Ricard, I am alarmed by what you've told the committee today. It's very sad, and the government should be ashamed that you have to come to committee to make your case just to do your job. The function of the auditor is a fundamental check-and-balance in our system, particularly when we're embarking on massive programs like this to deal with the crisis.

I think my preamble informs the question. Just yesterday, a news report in the National Post said, if this story is true, that public servants are being directed to ignore claims of fraud, and that 200,000 files have been red-flagged.

I wonder if you could comment on whether you have concerns about the accountability in these programs. I know one of the checks and balances in the program was supposed to be you, but apparently you may not have the funds to be in that role. Therefore, I wonder if you could comment on whether you think the checks and balances in the current emergency programs are sufficient or not.

Mr. Sylvain Ricard: At this point, obviously I cannot comment on the status of the checks and balances, the controls, because we haven't been out there doing the actual work. We are currently planning the audit work, but in regard to what you're referring to, those are the types of elements we've covered in other audits.

We've done audits in the past on payments of employment insurance benefits. There are two sides to it, the payment going out to the right people who meet the conditions, then once that's not the case, what's being done by the organization to monitor that side of it and recover the amounts that have to be recovered.

I don't know if Mr. Hayes wants to add to this.

Mr. Andrew Hayes: I will add a little. Fraud risks are always part of our planning process, and when there is potential for errors in these kinds of programs, we will look for that in our audit work.

I think Mr. Ricard was referring in part to an audit of EI overpayments that we reported to Parliament in 2013. One of the things we mentioned at that time was that while the department had to balance the need to get money out, it also had to make sure it was done accurately. In a time of speed right now, it's important for us to look at the way the government is going to recover any errors.

Mr. Marty Morantz: Thank you.

Mr. Ricard, it seems rather dramatic to me that you have to come here and make your case. I feel awful for you, because this shouldn't even be a question that your office is properly funded. I don't know how I'm going to explain this to my constituents.

When you were turned down for the \$10 million in the budget process in 2019, did your office make any other overtures and asks to government officials for further funding and were they also rebuffed?

• (1820)

Mr. Sylvain Ricard: I'll answer in two parts. No, not in a formal way, because as you know, no budget, that I know of anyway, has been announced in terms of timelines and whatever. However, we've been talking to some players at some working levels—normal processes that take place—but we haven't got any answers or positive outcomes out of that.

As I said earlier, I am really getting concerned about the impact this has on this institution. I want to be clear. I had no choice but to mention it to the committee, in light of being clear about the expectations of the committee and parliamentarians. If I'm not transparent about this reality, I'm not doing anybody any service. I have to be transparent. If we suggest to organizations that they have to speak in a full and transparent way, it has to start with us. We've always done it that way, and we believe it now.

Mr. Marty Morantz: I'll just say, sir, today you've done a great service for your country by telling us your story.

Thank you.

The Chair: We'll go to Mr. Fraser, and then we'll follow up with a question from Ms. May.

We told the Auditor General 90 minutes, and that will probably sum it up.

Mr. Fraser.

Mr. Sean Fraser: Thank you for joining us today.

I want to ask a little bit about best practices when it comes to the storage and disclosure of data. It seems to me as though we're going through what is perhaps, by no one's design, a very interesting economic and social experiment in order to respond to this crisis. There are probably categories of data that we may not ordinarily keep, in terms of both the way that money is spent, but importantly, the impact it's having as well.

Do you have recommendations or advice for the committee or the government that would allow us to achieve best practices when it comes to keeping as much data as we can for consideration on the back end of the rollout of some of these policies?

Mr. Sylvain Ricard: I'll ask Mr. Hayes to speak to this.

Mr. Andrew Hayes: Data has been a constant theme for our audit work over the last number of years. The importance of good data to support decision-making is paramount and critical to having the best results for Canadians, from our perspective anyway.

Obviously, we recognize—and the secretary of the Treasury Board has been clear with departments—that it's important to move quickly but to ensure that decisions and rationales are documented. We would start there, and we would hope that data is captured.

I would note, of course, that there may be other kinds of data that are being collected, and the Privacy Commissioner may have views on that collection, use and disclosure. I think particularly about health information that might be collected and that sort of thing. We would hope that personal information that should be protected is being protected to the degree possible.

The other thing I will mention is that obviously secret information, cabinet confidence information, is a challenge in the current environment. The security protocols are always important in terms of handling that data.

Mr. Sean Fraser: Can you point us to any international comparator or institutional organization that could shed light on how we can put record-keeping practices in place? It's frustrating on occasion when you try to dig into historical job numbers and realize that we didn't even keep track of some of these modern statistics until the mid-seventies.

Are there things we can learn through this experience, categories of data that we don't normally keep, that would make your work easier, and more importantly, improve the decision-making process for governments in the future?

• (1825)

Mr. Andrew Hayes: I think I'll answer that one.

I don't have any blinding insights for you right now. It might be something that our audit teams can look into. If we can get back to you with some ideas, we will.

Mr. Sean Fraser: Thanks, Mr. Chair.

I don't have too many questions, but I do like to tee it up for the witnesses on occasion.

To our Auditor General, if there is one takeaway from your time here that you would like the committee to hold after your testimony is complete, what is it that you hopes sticks with us all that will allow you to most effectively do your work?

Mr. Sylvain Ricard: I'll say that we will, as usual, provide parliamentarians with top-quality audit work. We will do our best to provide timely information, so maybe not just one report or reports in a year, there may be interim reporting. I thank the committee for the opportunity to have this hearing today.

At the end of the day, through all of this, something that is becoming clear through the pandemic is the importance of technology, that IT systems be up to date, for us, for audit tools and for departments. There is also the capacity for Canadians to have access to government services, especially in remote areas. That is an area that will be of importance for us, probably when we do the audit of COVID and/or infrastructure, because we are also living it. From an auditor's perspective, we believe that is one place where we could make a difference for Canadians.

Mr. Sean Fraser: Excellent. Thank you so much.

The Chair: Ms. May.

Ms. Elizabeth May: Thank you, Mr. Chair.

My question is for our interim commissioner of the environment and sustainable development, Mr. Hayes.

We're coming up to July and I think you'll have been interim for a full year. I know that a lot of Canadians don't always know when they hear the report from the commissioner of the environment and sustainable development that it's a position within the Office of Auditor General. I want to know from you whether the financial and budget limitations that we've heard about from the Auditor General equally impact our ability to, for instance, audit progress towards sustainable development goals.

Mr. Andrew Hayes: Yes, the work that is done on environmental and sustainable development matters within the Office of the Auditor General is part of the performance audit practice. The reduction in the funding available for performance audits has a consequential effect on the audits that I can deliver as interim commissioner.

As a matter of scale, in the past, on average, we would do about six per year. We expect that with the new realities we're facing with our funding, we're down to four. That said, we are obviously trying our best to ensure that sustainable development goals are incorporated into a lot of the work that the Auditor General does as well.

Mr. Sylvain Ricard: Mr. Chair, if I'm allowed, I will add something.

Very briefly, just to add to that storyline, it also impacts our capacity to do audit work in the territories. When we look at our past

work and our future work in the territories, we're talking about mental health, correctional services and child and family services. Again, when I said earlier that I was getting concerned about our capacity to make a difference for Canadians, those are obvious examples that come to mind.

The Chair: Okay.

I thank you for providing us the valuable information that you have today and also for appearing before this committee; I know that it's more traditionally the public accounts committee.

I will say this from a personal point of view. Not just the audits that you do as Auditor General and that a number of Auditors General have done, what I find to be an education, really, is that when you do an audit, you sum up what happens within the area that you're doing the audit on. For me, personally—and I've been an MP for quite a while—I find that very valuable in understanding the various tasks that a department takes on and the services that they provide or don't quite provide as well as they're supposed to, according to the Auditor General.

I want to thank both of you very much for appearing before the committee today. I think you have provided us with some valuable insight. We appreciate your constructive analysis.

For committee members, we have the meeting with the minister and officials on Thursday. We've now been informed by the whips' offices that we will be meeting on Tuesday and Thursday of next week. We will have a general panel on Tuesday, as well as the CEO of the Canada Mortgage and Housing Corporation. Minister Ng has agreed to appear for an hour on the Thursday. That was your request, I believe, Marty. We'll also have a general panel there as well.

I would remind members that there are about 74 witnesses left on the list of requests to appear. Could the various parties have their witness lists to the clerk no later than six o'clock Wednesday? That's tomorrow night. You can go through that list or add to it if you decide to. Have your witnesses to the clerk by tomorrow at 6 p.m. so that he and his staff can get on the phones to get that job done and give witnesses plenty of time.

With that, I want to again thank the witnesses and thank the committee members for their efforts today.

The meeting is adjourned.

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