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# Standing Committee on Government Operations and Estimates

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Chair: Mr. Tom Lukiwski





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• (1105)

[English]

**The Chair (Mr. Tom Lukiwski (Moose Jaw—Lake Centre—Lanigan, CPC)):** I will call this meeting to order.

I am flying a little blind here, unfortunately, gentlemen and ladies, because my Surface Pro is not connected. We have had major difficulties trying to get some connection, so I'm on my iPad and I don't have access to a lot of the other things we normally have when these meetings are connected. I'm going to be going a bit from memory today.

We have with us two witnesses in the first hour. We have Mr. Giroux from the Office of the Parliamentary Budget Officer. In the second hour we will have a representative from the Auditor General's office, Ms. Karen Hogan.

We will have one hour set aside for both of these meetings. We're slightly behind schedule now, which is probably my fault because of the technical problems we've been having, but we will go into questions and answers very quickly.

I want to remind members that we have a schedule for next week. We're meeting Monday and Friday next week. On Monday it is from 2:00 p.m. to 4:00 p.m. Eastern Standard Time, and on Friday from 11:00 a.m. to 1:00 p.m. Eastern Standard Time.

The week following, which I believe is the week of June 8, and the week following that, the schedules change somewhat. Instead of Monday meetings, we go to Tuesday meetings from 5:00 p.m. to 7:00 p.m. Eastern Standard Time on both Tuesdays, and the same time as normal on Fridays. Those meeting times are subject to change, however.

For our witnesses, I am asking that all witnesses who are making presentations today try to keep them succinct.

I understand, Mr. Giroux, you have one that is no more than five minutes long. I would appreciate if you could keep to that timeline.

I would also suggest, if possible, that if you are making a statement in either French or English, you maintain that language for the entirety of your statement. It is the same thing when responding to questions. If a question is asked to you in one official language, please respond in the same official language. This will greatly assist our technical staff. If you try to alternate between French and English, sometimes it proves difficult for our technical staff to keep up.

Mr. Green, I would suggest that we allow Mr. Giroux to make his short opening statement. Following that if you want to bring anything forward on a point of order, please do so.

Mr. Giroux, the floor is yours.

**Mr. Yves Giroux (Parliamentary Budget Officer, Office of the Parliamentary Budget Officer):** Thank you, Mr. Chair.

Thank you for the invitation to appear before you today. It's 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 Mark Mahabir, director of policy, costing.

Our pandemic-related 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. This analysis provides a plausible illustrative scenario, and it's not a forecast. The scenario analysis is updated regularly as more data and information become available.

Our latest scenario analysis update report, which was published at the end of April, incorporates new federal measures announced up to and including April 24. Our updated economic scenario assumes real GDP in Canada will 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. Relative to the size of the Canadian economy, the deficit would be 12.7% of GDP, and the federal debt-to-GDP ratio would rise to 48.4% of GDP in the current fiscal year.

The latest fiscal results include \$146 billion in federal budgetary measures that have been announced as of April 24 based on Finance Canada's and PBO's cost estimates. These numbers do not take into consideration measures announced after April 24. Their inclusion would increase the federal deficit by over \$7 billion.

My office has also produced cost estimates of several measures of the Government of Canada, notably the Canada emergency benefit as well as the wage benefit. According to our analysis, the cost related to CERB would amount to \$35 billion while the emergency wage benefit would cost \$75 billion.

Up to now, measures announced by the government are temporary in nature. As soon as these measures expire and the economy starts to grow again, the federal debt-to-GDP ratio should start to grow at a much lower level and even stabilize; however, should the measures be permanent or some of them be extended, the debt-to-GDP ratio could keep on rising.

Mark and I will be happy to answer your questions on COVID-19-related measures or any work of my office.

Thank you, Mr. Chair.

• (1110)

**The Clerk of the Committee (Mr. Paul Cardegnà):** I believe we may have lost the Chair's feed.

[*Translation*]

Mr. Drouin, could you chair the meeting, please?

**The Vice-Chair (Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.)):** Yes, certainly.

[*English*]

I am just going to put my language in English.

Thank you for the testimony.

I will now go to the Conservatives for six minutes.

**Mr. Kelly McCauley (Edmonton West, CPC):** Mr. Giroux, welcome back. It's good to see you, and it's good to have you with us.

Mr. Giroux, the most recent StatsCan labour force shows there have been three million jobs lost since February. When you add in people absent from work or those who had their hours cut back, it comes up to about 5.5 million. We have almost eight million on the CERB. How do you explain the gap?

**Mr. Yves Giroux:** Mr. McCauley, it's not that easy to explain the gap for now because data is still coming in, and people were strongly encouraged to apply for the CERB.

We know, for example, that Statistics Canada is incurring difficulties that were not anticipated due to the unusual circumstances. They are having difficulty collecting data in the usual manner.

There is also the fact that many people who were not considered employed or self-employed may still be eligible for the CERB.

It goes without saying that there has been very little oversight and few verification mechanisms included in the design of the CERB because the goal of the government was to send money to individuals as quickly as possible.

It is quite possible that there are people who apply who would not otherwise be eligible, and, hopefully, verifications after the fact will catch some of these people who applied who might not have been eligible.

It is very difficult to explain solely through fraud and abuse, and the number in the labour force survey, LFS, suggests that a lower number of individuals might have been eligible for the CERB than what is suggested by Statistics Canada.

**Mr. Kelly McCauley:** CERB was supposed to be, ballpark, about \$30 billion. We're already up to about \$40 billion in benefits in month two.

Do you get a sense of what the CERB costs will be at the end if it's not extended? How much higher is it from your [*Technical difficulty—Editor*]?

**Mr. Yves Giroux:** We have not revised our estimate recently. We revised our estimate after the emergency wage benefit was announced, but we haven't updated our estimate since.

With the coming into force of the wage benefit, we were expecting a slightly lower take-up of the CERB, which has not happened. The numbers keep rising for the CERB.

We will have to update—

**Mr. Kelly McCauley:** Let me interrupt you and just continue on this—

**The Chair:** Mr. McCauley, if I can just interject for a moment, I apologize again. I somehow lost the connection just before you started speaking.

We'll be going with five-minute rounds for the first round, then four minutes, then two minutes.

Mr. McCauley, I will add some time to you for this intervention. Please go ahead.

• (1115)

**Mr. Kelly McCauley:** All right, thanks.

Mr. Giroux, the flip side is the wage subsidy. We've had nowhere near the uptake that's been expected. Originally \$76 billion was set aside; only \$7 billion has been used.

Why do you think the uptake has been so low? Did the wage subsidy come out far too late after the layoff decisions happened, or is it, as I'm anecdotally hearing, that the wage subsidy is just being used for surviving in place, so to speak, but is not being used to hire people back?

**Mr. Yves Giroux:** That's a very good question. Unfortunately, we don't know yet why the uptake in the wage subsidy is so much lower than the government and we originally estimated. It could well be that it's more beneficial for some businesses to just lay off their workers and benefit from the wage subsidy until they can resume their operations to full capacity, but we don't know that yet for sure.

**Mr. Kelly McCauley:** So a possible rethink of eligibility might be a good idea.

I want to pop over quickly to the “Strong, Secure, Engaged”. We had asked for a report on defence spending, how much was collapsing, what's on schedule and what's behind. You had told us originally the end of May. Where is the report? It is the end of May now.

**Mr. Yves Giroux:** We asked the department for updated information, and we did not get it. As you mentioned, we were hoping to release a report by the end of May, but we haven't received the information we were hoping to get, so we have to postpone that.

**Mr. Kelly McCauley:** Was that information from DND?

**Mr. Yves Giroux:** Yes.

**Mr. Kelly McCauley:** Why?

**Mr. Yves Giroux:** We don't know why.

**Mr. Kelly McCauley:** That's disgraceful. This is half a trillion dollars of spending. Are they refusing to give it to you? Are they ignoring you? What are they doing?

**Mr. Yves Giroux:** Apparently the current situation makes it very difficult for departmental officials to provide us with the information.

**Mr. Kelly McCauley:** But this was only a couple of months.... Had they been ignoring it for longer than the current situation?

**Mr. Yves Giroux:** We were supposed to get the information on time to provide parliamentarians with an update on “Strong, Secure, Engaged”. May was the target date for us, but we didn't get the information on time.

**Mr. Kelly McCauley:** When are you going to get the information from DND?

**Mr. Yves Giroux:** We were told that it would be delayed by a couple of weeks, but we have not received it yet.

**Mr. Kelly McCauley:** Would you be able to report back to us in mid-June on whether they have given you that information? That's disgraceful that DND, for half a trillion [*Technical difficulty—Editor*]. It's just like asking for the bid information on the ships, where they delayed for years.

Let me ask you one last question. Will all this emergency spending going on right now put into jeopardy the “Strong, Secure, Engaged” spending plans?

**Mr. Yves Giroux:** That's a question that the government would be in a good position to answer. For example, in the need to return to more sustainable spending, if the government decides to cut some aspects of government operations and targets defence spending, then it could put in jeopardy “Strong, Secure, Engaged” spending, or DND spending more generally. However, if it decides to reduce other areas of government spending, it could leave DND [*Technical difficulty—Editor*].

These are all policy choices that the government will have to make when it decides the way in which it wants to return to more sustainable levels of deficit, or even a balanced budget.

**Mr. Kelly McCauley:** Yes; as if.

I assume that's my time, Mr. Chair?

**The Chair:** We'll have to ask Paul.

Has the time expired?

**The Clerk:** Yes. The next person is Mr. Kusmierczyk.

**The Chair:** All right.

Mr. Kusmierczyk, you have five minutes, please.

**Mr. Irek Kusmierczyk (Windsor—Tecumseh, Lib.):** Thank you very much, Chair.

Thank you very much, Mr. Giroux, for your report. It has provided us with a detailed economic picture during this COVID period compared with some of the forecasts from previous years, for example.

I want to get a sense of our economic fiscal position relative to other countries that are going through a similar situation. Would you be able to speak to that a little bit? I'll cue that up by mentioning that I read a report that said the total value of the measures that were put forward in the United States, for example, amounted to about 6% of their GDP. We know that in France the measures they put forward amounted to about 1% of GDP.

Can you paint a picture of the measures that were put in place in terms of the \$250 billion? What percentage of our GDP does that actually represent?

• (1120)

**Mr. Yves Giroux:** [*Technical difficulty—Editor*] sure. The measures put in place by the government so far, although I don't have the exact numbers off the top of my head...and it also depends on whether you include loans and loan guarantees or just fiscal spending. A deficit of 12% of GDP is slightly higher than several of our international peer countries, with whom we usually compare ourselves. That being said, we haven't done a thorough analysis of what's being done abroad, because we have focused on the Canadian situation.

Japan, for example, has recently announced efforts that are significant in relation to the size of their economy. As you mentioned, some European countries are doing efforts that are slightly lower than what we have announced in Canada, while other countries are doing slightly more. For example, you mentioned France. While France is doing probably less as a proportion of the economy than Canada is, the European Union is also pooling its resources to help affected countries. It makes international comparisons a bit more difficult.

That's why I wouldn't venture into too much detail as to how we compare internationally, because my office has not done that work, at least not to the extent that I would feel comfortable talking about the various situations of each country compared with Canada.

**Mr. Irek Kusmierczyk:** Okay. I understand completely.

Can you describe in general terms, even with this unprecedented spending that we've seen here, the fiscal position of Canada at this point?

**Mr. Yves Giroux:** Sure. The fiscal position of Canada before the pandemic started was relatively sound, in the sense that our debt-to-GDP ratio was relatively low compared to other countries, at about 30%, which allowed the government to introduce fiscal measures as well as guarantee loans, as it has.

Even with the deficit that we mentioned in our scenario report, the deficit at \$250 billion to \$260 billion should result in a debt-to-GDP ratio of about 48% at the federal level, which still has some way to go before it reaches the record level it reached in 1995-96, which was 66.6% of GDP, so there is still some flexibility at the federal level to borrow or spend a bit more.

The difficult situation there would be to keep that temporary, because if these measures are extended or made permanent, then we would be in a situation where we'd have deficits year after year at a very significant level. In such a scenario, we could easily reach 66% of GDP, which was the record level reached in the 1990s.

While we still have some fiscal room for manoeuvre, we don't have that room for manoeuvre at the current levels for several years.

**Mr. Irek Kusmierczyk:** Okay. Great.

I have one other question. A lot of the report focused on public debt, for example, but we know that we have to take into consideration household debt as well when we're devising policies.

I'm curious. Knowing that a big chunk of the \$250 billion was focused on helping families pay their bills and pay down some of their debts as well, how important was the federal stimulus to help and support families in light of the household debt that we have in Canada?

• (1125)

**Mr. Yves Giroux:** It's—

**The Chair:** Unfortunately, Mr. Giroux, we're out of time [*Technical difficulty—Editor*] so if you could, provide a written response to our clerk.

Now we'll go to our next intervenor.

[*Translation*]

Ms. Vignola, you have the floor for five minutes.

**Mrs. Julie Vignola (Beauport—Limoilou, BQ):** Thank you very much.

Good morning, Mr. Giroux. Thank you for being here with us today.

I'm the “question lady”—I always have a lot of them.

I'd like to ask about an aspect of your mandate. Before a new measure is put in place, is your office consulted to assess its potential impact?

**Mr. Yves Giroux:** I'll give you the short answer: no.

**Mrs. Julie Vignola:** I see. Would it be a good idea to consult you first?

**Mr. Yves Giroux:** It would be a good idea, to the extent that the government would want the opinion of the Parliamentary Budget Officer, who is an independent officer of Parliament. However, it might have to ignore that opinion.

I must add that that is not part of my mandate. My mandate would have to be changed in order to allow me to do that freely.

**Mrs. Julie Vignola:** Thank you very much.

In your statement, you spoke about certain measures that could become permanent. What are the measures that could become permanent?

**Mr. Yves Giroux:** It depends of course on the wishes or intentions of the government.

One of the measures that could become permanent, since Canadians are very pleased with it, is the Canada emergency response benefit. It is much simpler to administer than the employment insurance program and easier to understand. People receive a set amount per week, whether they are wage earners or self-employed workers, who are also covered by the emergency benefit. There could be a lot of pressure on the government to make it permanent.

That said, I am absolutely not expressing any judgment or opinion on the advisability of making the measure permanent or not. That is a political question that falls to the government and to parliamentarians.

**Mrs. Julie Vignola:** Thank you.

If the government were to decide to make the CERB permanent for one reason or another, what would be the advantages and disadvantages of that for the budget and the economy?

**Mr. Yves Giroux:** On the pro side, I would say that this measure is relatively simple to administer.

In terms of disadvantages, however, since the benefits are not directly related to the level of earned income, and therefore are not modelled on earned income, it may be much more attractive for some individuals to remain on CERB for as long or as often as possible rather than work.

For example, people receiving minimum wage and working less than 35 or 40 hours may earn more by receiving the CERB than by working. This is a significant disincentive to work. This is the biggest disadvantage.

**Mrs. Julie Vignola:** Basically, if the CERB were to become permanent, there would have to be incentives to work. This could be an adjustment to CERB based on earned income. To take the current situation as an example, let's say that if an individual earns \$1,000, they would receive the CERB, but if they earned more, for every extra dollar earned, their CERB benefit would be reduced by a given percentage.

Could this be an incentive for people to go back to work?

**Mr. Yves Giroux:** Yes, several models are possible and could increase incentives or reduce disincentives to work.

**Mrs. Julie Vignola:** Do you think government spending is having the desired effect on stimulating the market at this time?

**Mr. Yves Giroux:** I don't see the current measures as a way to stimulate—

[English]

**The Chair:** A very brief answer, sir.

[Translation]

**Mr. Yves Giroux:** In my opinion, the current measures are designed to support businesses during the crisis rather than to stimulate economic activity, given that governments have closed whole sectors of the economy.

[English]

**The Chair:** Thank you.

[Translation]

**Mrs. Julie Vignola:** Thank you very much.

[English]

**The Chair:** Mr. Green, as I was attempting to mention at the outset, now that you've been identified, if you have a motion that you wish to present, now would be the time. You have five minutes.

• (1130)

**Mr. Matthew Green (Hamilton Centre, NDP):** Thank you, Mr. Chair, but respecting the importance of having the Parliamentary Budget Officer here, particularly at this COVID time, I'm going to go ahead and reserve that privilege for the second half out of respect for my committee members.

Mr. Giroux, we know that once the financial supports in the emergency measures related to COVID-19 come to an end, there will be pressure on the government to bring the budget into balance and to reduce the national debt. This is often code for severe austerity measures because the financial situation is often seen as a spending problem rather than a revenue problem.

In June 2019, the Parliamentary Budget Officer issued a report on the preliminary findings on international taxation, which, if I understand correctly, identified that Canada is losing \$25 billion or more a year in tax revenues from multinational corporations that are avoiding taxes through tax havens. Can you comment on the importance of our financial health to take action on the use of tax havens?

**Mr. Yves Giroux:** It's clear that with temporary measures and an economy that's grinding to a screeching halt, spending has gone up, revenues have gone down, which leads to what we expect to be an unprecedented deficit. However, as the economy recovers and the measures that have been implemented as temporary are allowed to expire, we expect that, all other things being equal, the deficit should return to a much lower level, so a much smaller deficit. However, as we've seen in the past, there's always a deficit that subsidizes, there's never a return naturally to deficit, so there's going to be a need for government action if the government were to desire a return to balanced budgets. In that vein, tackling international tax evasion could be a very useful tool to return to balanced budgets or to improve the federal fiscal balance.

The big challenge with international tax evasion, however, is the access to information regarding the income that's hidden and the assets that are held offshore. International co-operation is essential, as well as ensuring that the tax authorities in Canada have the tools they need to tackle that tax evasion.

**Mr. Matthew Green:** Thank you.

**Mr. Yves Giroux:** Several parties submitted proposals to my office during the election, and a couple of these measures could easily...well, easily.... A couple of these measures could be implemented to at least eat into that chunk of money that evades tax authorities.

**Mr. Matthew Green:** I'd like to start with that, actually. It's a perfect segue.

Last September, your office issued a report on the impact of implementing a 1% tax on those with a net worth of more than \$20 million, and it determined that could result in close to \$70 billion in additional revenue.

Based on my simple math, the implementation of just these two policy changes, the capturing and the closing of tax loopholes with this wealth tax, could result in an additional \$320 billion in revenue for the federal government over 10 years. What impact could this increase in revenue have on the federal government's fiscal position?

**Mr. Yves Giroux:** Well, if we were talking about revenue increases of such a magnitude, it would have a significant positive impact on the federal balance over a 10-year period.

However, if these measures were to be put in place, they would have to be accompanied by very strict enforcement measures, because we all know that people with that amount of wealth also have access to avoidance measures that are perfectly legal—maybe not legitimate, but legal—and they also have access to very sophisticated tax arrangements and corporate structures that allow them to minimize the impact of these taxes.

What we said back then when we released our cost estimates is that the estimates were at a high level of uncertainty given the potential behavioural impact of such a measure on those with such high net worth.

**Mr. Matthew Green:** I want to say thank you for the observation that of course what is legal is not always what is moral or legitimate, and it would be great for us to be able to put into place legislation that was both legitimate and moral, hence legal.

Thank you very much, Mr. Chair. I'll hold my next set of questions for my second round, should it come up.

• (1135)

**The Chair:** Thank you very much.

We will now go to our four-minute round of questioning, starting with Mr. McCauley for four minutes.

**Mr. Kelly McCauley:** Thank you.

Mr. Giroux, I understand that the government has created a brand new pay code—code 699—to track COVID sick days for public service employees. I wonder if you have any details and any numbers right now for the costs being incurred and how that compares to what's going on in the private sector.

**Mr. Yves Giroux:** That's an interesting question, but that's a question for which I don't have an interesting answer, sadly, because we haven't started looking at that. We know anecdotally that thousands of individuals—public servants—have used that special code, which is known in some departments as code 699, paid leave for other reasons. We did not send an information request to departments as to the number of people who are using that benefit—

**Mr. Kelly McCauley:** [*Technical difficulty—Editor*] get back to us at the end of July, the end of June?

**Mr. Yves Giroux:** We can certainly look at the feasibility of getting that type of information.

**Mr. Kelly McCauley:** Great.

Now, let me ask you, with the change with Parliament basically being suspended until September, what are the consequences of simply having the supplementary estimates deemed reported without any committee review? What would you recommend be done to offset basically the oversight of the supplementary spending?

**Mr. Yves Giroux:** I assume you're talking about the upcoming supplementary estimates (A), which will have a maximum of four hours of scrutiny at committee. These supplementary estimates—

**Mr. Kelly McCauley:** [*Technical difficulty—Editor*] not in actual committees.

**Mr. Yves Giroux:** Indeed.

These estimates are very likely to include dozens of billions of dollars in new spending, if not over \$100 billion in new spending, and to have only a committee of the whole look at that for a maximum of four hours, to me it's unfortunate, to say the least, because there will be very little opportunity for parliamentarians to look at these important amounts of spending and to hold the government to account on what amounts to unprecedented spending.

In my opinion, it would have been better to allow for more scrutiny of what is unprecedented spending, because during four hours it doesn't...it comes up as a very expensive four hours, potentially, for Canadian taxpayers. The amount of scrutiny for this unprecedented spending will also be unprecedented, but for the wrong reasons.

**Mr. Kelly McCauley:** You're suggesting perhaps a revolutionary idea of parliamentarians doing what Parliament was created for.

**Mr. Yves Giroux:** I wouldn't call that revolutionary.

**Mr. Kelly McCauley:** Perhaps nothing so dramatic as that.

With regard to the fiscal stabilization program, how is that going to work post-COVID, and what can be done around that?

**Mr. Yves Giroux:** You're referring to the fiscal stabilization program that provides funding to provinces that experience a drop in their own-source revenues. We are looking at that. We're looking at the impact of having increased the fiscal stabilization program, the per capita amounts, and you can expect a report from us within probably the next four or five months.

**Mr. Kelly McCauley:** Great. Thanks.

Do I have any more time, Mr. Chair?

**The Chair:** You have about 30 seconds only, Mr. McCauley.

**Mr. Kelly McCauley:** We talked about the debt to GDP and the change from 1996, but, of course, it's very different. The provinces are in bad shape. Do you have any thoughts on that, or on the municipalities, and how we're going to deal with that?

**Mr. Yves Giroux:** It will be a difficult situation, fiscally speaking, for many provinces and territories—

**The Chair:** Be very brief, sir.

**Mr. Yves Giroux:** Okay. I can provide a written answer to that question, Mr. Chair.

**Mr. Kelly McCauley:** Thanks very much.

**The Chair:** We'll now go to Mr. Weiler for four minutes.

Go ahead, please.

**Mr. Patrick Weiler (West Vancouver—Sunshine Coast—Sea to Sky Country, Lib.):** Thank you, Mr. Chair.

Thank you, Mr. Giroux and Mr. Mahabir, for joining our committee today.

I want to pick up on a question that one of my fellow committee members asked earlier, and that was on the distinction between the CERB numbers and the employment figures. I'm wondering, given that the qualification for the CERB has been changed so that now you can earn up to \$1,000 and still qualify for the CERB, if that might make up for some of the distinction there.

**Mr. Yves Giroux:** I'll ask Mark if he can answer your question.

● (1140)

**Mr. Mark Mahabir (Director of Policy, Costing, Office of the Parliamentary Budget Officer):** That could make up some of the difference. Also, the numbers reported by CRA are the gross amounts. For some individuals, there will be overpayments, and so the amount that is reported and the number that is reported could reflect that people will have to pay back a certain amount in the future.

**Mr. Patrick Weiler:** Great. Thank you.

Has the PBO costed out how much it would cost to extend the CERB for a full year, or otherwise how much it would cost to implement a universal basic income?



**Mr. Yves Giroux:** We have not costed an extension of the CERB. We have done work in the past. Before my appointment, the office did a cost estimate of implementing a universal basic income, UBI. We've also been asked by two parliamentarians to update these costs, and we will be providing an updated cost estimate to the 2018 cost estimate of the UBI by the end of June. So, in the next four or four and a half weeks, we should be able to release a revised cost estimate of implementing a universal basic income.

**Mr. Patrick Weiler:** Thank you.

Given the amount of spending to date—and you mentioned \$252 billion or something in that range—how is the government going to be able to finance these benefits, and what interest rates are government bills and bonds currently sold at?

**Mr. Yves Giroux:** The government, currently being in a deficit position, will have to borrow to finance additional benefits should it wish to extend benefits. Current borrowing rates are around 1%-1.2%, depending on the maturities that you're looking at. Short term is slightly lower, and long term is slightly higher, but the interest rates are very low compared to historical rates.

**Mr. Patrick Weiler:** In that sense, what would be the annual cost of servicing a debt of that magnitude?

**Mr. Yves Giroux:** Servicing the debt, we estimate currently, would be \$23.3 billion on a debt that will be upwards of \$950 billion. That's relatively low compared to historical levels, but it's due to the very low interest rates.

**Mr. Patrick Weiler:** Thank you.

Given that the unique nature of the economic impact of the pandemic may require new ways of stimulating the economy, what fiscal measures would you suggest the federal government consider?

**Mr. Yves Giroux:** That's a very good question, but a question best answered by ministers. Fiscal measures could include spending on various programs as well as tax measures. There's a long list of potential measures, and I'm sure that ministers and other stakeholders will have lots of good ideas.

**The Chair:** Thank you very much.

We'll now go to Mr. McCauley once again, for four minutes, please.

**Mr. Kelly McCauley:** Conservative MPs have asked the PBO to update the report on infrastructure. The previous report on infrastructure showed that 40% of the funds were lapsed and unused, and that the infrastructure plan did not actually exist as a plan. The Minister of Infrastructure said that 53,000 projects had been supported with the funds so far. I assume the department can give you the list of these 53,000 projects. Do you have that list?

**Mr. Yves Giroux:** That's a very reasonable assumption, once you hear that there is such a list. We've asked the department and we have been able to find information for 33,000 of these projects. We have not been able to see a list that includes all these 52,000 or 53,000 projects, only 33,000 of them.

**Mr. Kelly McCauley:** Where are the other 20,000 projects, then?

**Mr. Yves Giroux:** If I knew, sir, I would have a different answer to that question. I don't know, sadly.

**Mr. Kelly McCauley:** I imagine it would be a reasonable question, but obviously it's not reasonable with the ministry. Have you received all the information you've asked for?

**Mr. Yves Giroux:** Do you mean with respect to infrastructure?

**Mr. Kelly McCauley:** Yes.

**Mr. Yves Giroux:** Except for the missing pieces, which are an important aspect, yes. When we ask for information—

• (1145)

**Mr. Kelly McCauley:** Do you think those other 20,000 projects exist?

**Mr. Yves Giroux:** I believe they do exist, but it's hard to be convinced. I have faith that they do exist, but I don't have proof that they exist.

**Mr. Kelly McCauley:** Of the billions being spent by this government or by the department, what percentage of that money can be attributed to these 33,000 specific projects?

**Mr. Yves Giroux:** I don't have that information off the top of my head, unfortunately.

**Mr. Kelly McCauley:** What kind of bump are we getting for GDP growth from this spending, and is it the best value for stimulus?

**Mr. Yves Giroux:** I'd have to go back to previous reports. I've been focusing mostly on measures related to COVID-19. I remember that the amounts were relatively small compared to the overall spending amounts in terms of the economic impact.

**Mr. Kelly McCauley:** Right. My understanding is that for every dollar being put out, the provinces or municipalities are pulling back spending. My understanding, again anecdotally, is that the economy is not seeing a push or a bump from these billions of dollars of spending.

**Mr. Yves Giroux:** That's true. In one of our findings we discovered that provinces are displacing some of their spending that would otherwise have taken place as a result of federal infrastructure spending. They're spending on projects to ensure that there's cost-matching, but they're reducing other types of projects.

In summary, federal spending ends up displacing a portion of provincial spending that would have taken place otherwise.

**Mr. Kelly McCauley:** Is it true you're having the same problems with DND, that they're just refusing to release the information? Those 20,000 projects are maybe 38% of the total projects. How do you lose 38% of projects?

**Mr. Yves Giroux:** We didn't find an unwillingness to provide us with the information. It seems to not exist in one single repository. We asked Infrastructure Canada for a list of projects and we didn't get a list that covers the entirety of all the projects. We have to ask other departments, and we still don't have a complete list.

**The Chair:** Thank you very much.

We will now go to Mr. Jowhari for four minutes, please.

**Mr. Majid Jowhari (Richmond Hill, Lib.):** Thank you, Mr. Chair, and thank you, Mr. Giroux, for providing the testimony.

You indicated that based on your analysis, we're going from 30% to about 48% of debt-to-GDP ratio, and that was as of, I believe, April 24. You also mentioned that another \$7 billion after that needs to be added to the debt, and assuming the same rate of GDP growth, we would be, as you mentioned, higher, but you didn't specifically say where that would position us.

You also mentioned that we could reach about 66%, comparable to the 66% in 1995. As of today, where would our debt-to-GDP ratio be with the addition of the \$7 billion?

**Mr. Yves Giroux:** Doing some quick math in my head, which is always risky, I would say we would be close to 49% debt-to-GDP ratio if we also included the \$7.6 billion announced since April 24.

**Mr. Majid Jowhari:** Then applying the same quick math, and if we say that as these emergency supports come to an end we'll stop doing that, where do you think we will end with the GDP ratio? This is assuming all of these will finish at the time we've announced for them to finish.

**Mr. Yves Giroux:** That is highly hypothetical, but assuming that the programs that are temporary do remain temporary and sunset, and with the slow recovery that we expect, it would not be unthinkable to have 55% debt-to-GDP ratio by the end of the next fiscal year. That's assuming the economic recovery is at a reasonable pace.

**Mr. Majid Jowhari:** Thank you.

Where would that put us vis-à-vis the debt? What would you anticipate would be the debt growth? We know there's \$255 billion and another \$7.5 billion, so what would our debt balloon to?

**Mr. Yves Giroux:** It would certainly be above a trillion dollars, so one thousand billion dollars. The exact level is highly hypothetical. We have not published a scenario analysis for beyond the current fiscal year, because it's highly uncertain.

• (1150)

**Mr. Majid Jowhari:** Fair enough.

Let's assume there is a \$1-trillion debt. What would that do to the cost of servicing that debt? Currently, I believe we're at \$30 billion in servicing the debt. What would that do to servicing the debt? How much of the revenue that we get as a government would go into servicing the debt?

**Mr. Yves Giroux:** We expect the cost of servicing the federal debt to amount to about 8% or 8.2% of federal revenues. That's significantly lower than the peak reached in the mid-1990s where it was 35%, 36%, if not slightly higher. It's still relatively low compared to the peak that was reached 25 years ago, but that's due to the very low level of interest rates. Interest rates being so low

means they can either stay very low or they can start to increase progressively over time. Even though it's a very small proportion of federal revenues, that share is likely to increase over the next several years.

**Mr. Majid Jowhari:** Okay, thank you.

**The Chair:** Thank you very much.

We'll now go to our two-minute interventions, starting with Monsieur Barsalou-Duval for two minutes.

Go ahead, please.

[*Translation*]

**Mr. Xavier Barsalou-Duval (Pierre-Boucher—Les Patriotes—Verchères, BQ):** Thank you very much, Mr. Chair.

I have two questions for the Parliamentary Budget Officer. Since I do not often have time for two questions, I will ask both right away and the Parliamentary Budget Officer can answer them in the time he has left.

Earlier, my colleague Ms. Vignola asked you some questions. We can see that the Canada emergency response benefit, whether for students or workers, discourages people from working because it is not gradually reduced according to employment income.

Have you assessed the loss to government tax revenues resulting from the disincentive caused by the benefit?

My second question is about the Canada emergency commercial rent assistance, rent that is one of the fixed costs of doing business. Basically, very few companies take advantage of it. We think it's probably an ineffective government measure, but I'd like to know if that's your opinion as well.

[*English*]

**The Chair:** Be very brief, please.

[*Translation*]

**Mr. Yves Giroux:** We did not study the budgetary impact of the Canada emergency benefit. We have estimated its cost, but we have not studied in detail its disincentive effect on employment or the consequences that could flow from that.

Could you remind me of your second question?

**Mr. Xavier Barsalou-Duval:** It was about—

[*English*]

**The Chair:** Unfortunately, Mr. Giroux, we're completely out of time. If you do have an answer for that second question, when you recall it, please submit the answer in writing to our clerk as soon as you can.

We'll now go to our final two-minute intervention.

Go ahead, Mr. Green.

**Mr. Matthew Green:** On May 4, 2020, in response to a question from a member, an official from the Department of Finance told the committee:

...infrastructure is one of the tried and tested stimulus levers. At an appropriate time we would be turning our minds to such things that have worked in the past to stimulate the economy, but we really still need to see our way through the current stabilization and restart activities.

Then on May 12, the PBO told the finance committee that “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”.

To what extent should the federal government use infrastructure-spending stimulus measures, and when should these fiscal measures and this stimulus spending be implemented?

**Mr. Yves Giroux:** Since saying that on May 12, I've looked at the numbers a bit more. It seems that construction and infrastructure spending in general was obviously not directed at the most affected sector of the economy. While it would be helpful to stimulate the economy, I'm not convinced that it would be the best way to stimulate the economy, because it's not the sector that was affected the most.

In my humble opinion as a taxpayer, stimulating sectors that have been the most deeply affected by COVID-19 might be a better way to stimulate the economy, and infrastructure and construction were not the most affected sectors.

• (1155)

**Mr. Matthew Green:** With significant impacts to the hospitality and service sectors, which generally pay lower wages, is this affecting women more than men?

**Mr. Yves Giroux:** That's also something that my 21-year-old daughter has pointed out to me. Women have been disproportionately affected by this COVID-19, and efforts for recovery should clearly keep that in mind.

**Mr. Matthew Green:** In recognizing that, does that also extend to racialized communities?

**Mr. Yves Giroux:** That's also a good point, but it's not something I've looked into personally.

**Mr. Matthew Green:** Thank you for the answers.

Thank you, Mr. Chair.

**The Chair:** Thank you, sir.

Mr. Giroux, thank you so much for being with us today. As always, your answers have been insightful and informative.

Colleagues, I will excuse Mr. Giroux at this point in time.

We will suspend for just a couple of moments while we prepare for our next round of witnesses.

• (1155)

(Pause)

• (1155)

**The Chair:** We are reconvened, colleagues.

Madam Hogan, I understand you have an opening statement of five minutes or less. The floor is yours.

**Ms. Karen Hogan (Assistant Auditor General and Auditor General of Canada Nominee, 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.

I'll give you some background. 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 our 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 our office to conduct an audit of special warrants 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. That order also called on the government to take the measures necessary to ensure that our office has sufficient resources to conduct the work that it has been asked to do by the House of Commons.

We have been monitoring the initiatives that the government has been introducing to respond to the pandemic, including the spending related to protecting health and safety, support for 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 of this pandemic, or to be ready for a future pandemic that may arise.

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

• (1200)

[Translation]

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. Given the nature and extent of the work that we believe is required to conduct these audits, and in light of our limited resources, we had to revisit the timing for completing and reporting on the other performance audit work that we had planned.

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.

Of course, decisions to postpone planned audit work are difficult to make because the topics we select for our performance audits are important to parliamentarians and Canadians. However, our limited resources have prevented us from conducting some of that important work. Now that we need to postpone this work further, we don't know when we will be able to get to it.

As a final point, I wish to emphasize that we are fully aware that many departments and agencies are on the front line, and they are devoting tremendous amounts of time and resources to responding to the COVID-19 pandemic. We are mindful of their operational realities. We have been coordinating with senior public servants to minimize the risk that our audit work could divert their attention away from the support and services that they need to provide to Canadians.

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 our office's staff.

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

[English]

**The Chair:** Thank you very much.

Colleagues, since we've gained a little time, we'll go back to our original six-minute rounds of questions, starting with Mrs. Block.

**Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC):** Thank you very much, Mr. Chair. I would like to welcome our witnesses who have joined us today.

I want to start by congratulating you, Ms. Hogan, on your appointment to the position of Auditor General of Canada. It's very important work that you and your office do, and we appreciate your taking the time to join us today.

Many of my questions result from the testimony that you provided in the exchange you had with my colleague Mr. Pat Kelly at the public accounts committee recently.

I will turn to one of the quotes from an answer that you gave. You stated, "We will do our best, and I commit to getting information to Parliament as quickly as we can so we can begin to see if they were any lessons learned or changes we can make to better prepare ourselves and the government should we have to go through this again." I know you stated that in your opening remarks today.

My first observation and question would be this. To mitigate the effectiveness of the opposition, the Liberal government, with the help of the NDP, have effectively shut down Parliament until the fall, and it appears to me that the Liberal government is also trying to mitigate the effectiveness of the Auditor General's Office by limiting your office's funding. Regarding the funding shortfall for your office, my colleague Mr. Kelly noted that it is normal for the office to produce eight or nine reports, not the four that you currently have ready to table.

What topics were not audited this past winter or spring? More specifically, what were the top four or five areas that were left unaudited due to your office's lack of funding?

• (1205)

**Ms. Karen Hogan:** Thank you very much for that question.

Unfortunately, given I'm still completing the procedural steps to finalize my nomination and getting up to speed on all of our audit work, I don't have the specifics of what we would have not done last year. Perhaps my colleague Andrew would know that, but I do know that we have, as I mentioned, four reports ready to go, three under the banner of the Auditor General and one under the commissioner of the environment and sustainable development.

I'll see if Andrew knows what we may have cancelled in that past year.

**Mrs. Kelly Block:** Sure.

**Mr. Andrew Hayes (Deputy Auditor General and Interim Commissioner of the Environment and Sustainable Development, Office of the Auditor General):** Definitely the two most significant audits we had on track to audit in the past year, which had to be delayed, were an audit of cybersecurity and an audit of protecting Canada's north.

We mentioned both of those audits to the public accounts committee last June when we were appearing before that committee to discuss our findings.

**Mrs. Kelly Block:** Thank you for that answer.

It would have been a very timely audit when you consider where we are today and our dependence on the Internet and doing work virtually.

In the exchange with Mr. Kelly—

**The Chair:** Mrs. Block, can I just interrupt briefly? For the benefit of our technicians, could you move your microphone down just about an inch? You were coming across with a little fuzzy sound for our technicians.

Please go ahead. You haven't been docked any time.

**Mrs. Kelly Block:** Okay. Thank you very much.

Is this better?

**The Chair:** That's much better. Thank you.

**Mrs. Kelly Block:** Okay.

I just observed that it would have been a very timely audit, given where we are today and how we're conducting our business, and even the fact that we met with the witnesses we met with on Friday.

Ms. Hogan, in the exchange with Mr. Kelly, you mentioned that the Auditor General's Office would soon be turning its attention to two very important matters, which are auditing Investing in Canada and the government's COVID-19 spending.

When was the last time an audit of Investing in Canada was conducted?

**Ms. Karen Hogan:** I believe the Investing in Canada plan is a rather new plan, so this would likely be our first time.

I know that many of our audits in the past have focused on significant spending. Typically those are large projects that we would have turned our attention to because of the importance they would have to Canadians and to services that are provided to them.

Perhaps Mr. Hayes, again, would have some history on all of that. You can imagine that the breadth of our work is tremendous, and I don't know of a very specific one in the recent past.

Andrew, do you have something that you can add that's a little more informative than my response?

**Mr. Andrew Hayes:** In terms of infrastructure, we did do an audit of sustainable infrastructure in the community context in, I believe, 2017.

We've also, of course, done infrastructure audits over the years. I would say that the economic action plan work we did in 2010-11 would have been our most significant infrastructure work.

**Mrs. Kelly Block:** Okay. Thank you for that.

I want to turn now to the other important matter, which is COVID-19 spending.

Regarding an audit of the government's response to COVID-19, will the government's management of the national emergency strategic stockpile be included in your planned audit?

**The Chair:** Could we have a very brief answer if possible?

**Ms. Karen Hogan:** I'll keep it short. Thank you.

We're in the process, as I mentioned at a previous hearing, of our steering committee looking at exactly where we might go and what we might look at. Obviously protecting health and safety is a key matter that we will be looking at.

It's a little early to decide on the exact specific areas, but preparedness and actions during the pandemic, as well as lessons learned, are definitely areas we're focusing on.

• (1210)

**The Chair:** Thank you very much.

**Mrs. Kelly Block:** Thank you.

**The Chair:** We will now go to Mr. Drouin for six minutes, please.

[*Translation*]

**Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.):** Thank you very much, Mr. Chair.

I, too, would like to congratulate the new Auditor General, Ms. Hogan.

Ms. Hogan, in your opening remarks, you mentioned that you would be doing an audit of the measures the government has put in place in the context of COVID-19.

Will COVID-19 affect your office? Will it prevent your office from doing its work properly?

Normally, you send auditors into the offices to do the audits. What mechanisms will be used for this audit?

**Ms. Karen Hogan:** Thank you for your kind words.

Indeed, the pandemic is having an impact on our employees. Right now, everyone is working remotely. Like many government departments, we have difficulty accessing information. Teleworking represents a change of habits for everyone, since we have to use technology to do everything virtually.

I obviously expect that there will be some slowdowns on our side, as well as on the departmental side, while everyone adjusts to the new reality over the next few months.

**Mr. Francis Drouin:** When you do an audit, of course, you assess the implementation of the programs that were announced, but how do you establish criteria, for example, to determine whether a department has done a good job in achieving its objectives?

In the news we often hear about people who applied for the CERB, only to have it clawed back by the province.

How do you establish criteria to ensure that the audit and programs have achieved their objectives?

**Ms. Karen Hogan:** The criteria are an extremely important element in every audit. We agree with the target entity on the criteria we will use for accountability. We look at a number of elements, such as the money spent and the effect on Canadians.

We have also initiated discussions with deputy ministers to find out what concerns them and what the objectives for each measure are. The criteria are important, but we also need to know the objectives so that we can assess those two elements.

**Mr. Francis Drouin:** You mentioned the employees. With the COVID-19 crisis, you must need more auditors to do these audits. Do you plan to make a request to the government in this regard?

**Ms. Karen Hogan:** As most members of the committee probably know, we have requested an increase in the permanent funding of the Office of the Auditor General. We are currently brainstorming creative solutions. Sometimes it's contracts; sometimes it's changing our plans. We're doing our best to make sure we have all the auditors we need to do our work.

As I mentioned in my opening statement, the decision to cancel or postpone audits is not easy, but at the moment it's the only effective solution for us.

**Mr. Francis Drouin:** If I understand correctly, Ms. Hogan, as of fiscal 2018-19, you have 38 new employees in the Office of the Auditor General.

What are those 38 new employees doing? Mr. Hayes may be in a better position to answer my question.

**Ms. Karen Hogan:** I can go first, and I'll let Mr. Hayes add his comments.

Several of these new employees are part of our information technology, or IT, group, and many of them are auditors. This number seems significant, but it's not a lot, given the regular decline in our staff. People leave us on a regular basis, as they do in all organizations. Some of those 38 new employees have probably filled vacancies, but I know they've also beefed up our IT staff.

Mr. Hayes, do you have anything to add?

• (1215)

**Mr. Andrew Hayes:** No, thank you. That answer was complete. I have nothing more to add.

**Mr. Francis Drouin:** Are you having trouble recruiting new auditors, in general?

**Ms. Karen Hogan:** It's not really a secret in the auditing world; all auditors are in demand. It's a constant in our industry. Yes, it's certainly difficult, but I don't think it's worse than elsewhere. It was difficult before the pandemic and I expect it is a little bit more difficult for all organizations to hire people in the current situation.

**Mr. Francis Drouin:** I know that our committee—  
[English]

**The Chair:** Thank you very much.

[Translation]

**Mr. Francis Drouin:** Thank you very much.

[English]

**The Chair:** We'll now go to Mr. Barsalou-Duval.

[Translation]

You have six minutes.

**Mr. Xavier Barsalou-Duval:** Thank you, Mr. Chair.

Madam Auditor, I congratulate you on your appointment. It is an interesting and positive one. I have worked as an auditor myself; many accountants dream of becoming the auditor general of a country like this.

Last week we learned that the former CEO of VIA Rail was hired by Siemens. We know that, at the time, Siemens managed to

get a contract worth nearly \$1 billion from VIA Rail, while Bombardier was in the running and wanted to make a modified bid. VIA Rail did not agree to let Bombardier make a second bid following the call for tenders.

Siemens hired the former CEO of a Canadian company, and offered him a juicy contract. This raises many questions, especially regarding the conditions surrounding the awarding of this contract to the Siemens company.

Would your office be in a position to investigate this story?

**Ms. Karen Hogan:** Of course, we don't study the hiring process as part of the financial audits. Very recently, I took part in a process that I found very rigorous. I imagine that happens at all levels, in all Crown corporations.

**Mr. Xavier Barsalou-Duval:** Actually, it's not the hiring process I'm interested in, it's the awarding of the contract. I think that has more to do with the work of your office.

**Ms. Karen Hogan:** Evaluating the awarding of contracts is something we do from time to time during our performance audits. Given your interest in this topic, I could add it to the list of possible audits.

**Mr. Xavier Barsalou-Duval:** Thank you. That was the main question I had to ask you.

I don't know if I have any time left. If I do, I will give the floor to Ms. Vignola to continue asking questions.

[English]

**The Chair:** You have lots of time, about three and a half minutes.

[Translation]

**Mr. Xavier Barsalou-Duval:** Madam Auditor, I have another question for you.

You said that as Auditor General, you were going to look at the expenditures surrounding COVID-19. Will this include aspects of how contracts were awarded? We know that, sometimes, in an emergency, things are done quickly. In some situations, companies obtain exclusive contracts or supply contracts at higher prices than they should have. Some companies could have taken advantage of this situation.

**Ms. Karen Hogan:** If we are assessing the awarding of significant contracts as part of our work on COVID-19, I expect that we will ensure that the government policies and procedures that govern the awarding of contracts have been followed.

Yes, there are exceptions. Yes, during the pandemic, decisions may have been made faster, as you mentioned. I expect there will be some mistakes. We also expect that there will be a mechanism to identify those errors and that steps will be taken to correct them if necessary.

• (1220)

**Mr. Xavier Barsalou-Duval:** Thank you very much.

How much speaking time do I have left, Mr. Chair?

[English]

**The Chair:** You have one minute and 30 seconds.

[Translation]

**Mr. Xavier Barsalou-Duval:** You say you're short of resources. Regarding recruitment, what was the government's response? Has it been open? We think it's very important for you to be able to work in good conditions, because that will allow us to have information about the company and to know whether the federal government is managing its affairs well.

**Ms. Karen Hogan:** Once my appointment is formalized and the process is complete, one of my priorities will be to continue discussions with the government to ensure that we have the funding we need to carry out our mandate.

At this point in time, we need temporary funding for the next few years. We also need to find a mechanism with a longer-term goal. This independent mechanism would make our funding predictable. I will continue these discussions as soon as possible.

**Mr. Xavier Barsalou-Duval:** Thank you.

[English]

**The Chair:** Thank you—

[Translation]

**Mr. Xavier Barsalou-Duval:** You can count on us to ensure that you receive sufficient funding.

[English]

**The Chair:** Thank you very much.

Colleagues, I didn't have a chance to mention at the start of the meeting that we will have to adjourn sharply at one o'clock. This will allow our technicians to get ready for the next Zoom meeting.

Mr. Green, you have six minutes.

**Mr. Matthew Green:** Mr. Chair, is it likely that we'll have a second round? Is that still in the works?

**The Chair:** Yes, we should have a second round.

**Mr. Matthew Green:** Thank you very much, Mr. Chair.

**The Chair:** I must add that we may have a second round, Mr. Green, but I'm not sure we'll have a third round, so this may be your last opportunity. I don't want to guarantee that you will not have another round, but just keep that in mind.

**Mr. Matthew Green:** I will do that. Thank you.

Several organizations, such as Canadians for Tax Fairness and Transparency International, have called on the government to take additional steps to strengthen accountability and transparency, such as by publishing details on “what specific businesses and organizations receive in different forms of federal support and for what purposes during both the emergency and recovery phases.”

They want publishing details on “COVID-19 procurement and other contracts during the emergency and recovery periods, build-

ing on the good practices learned from the Open Contracting Data Standard, as other countries have done.”

They are calling for the strengthening of whistle-blower protections for “workers in the public, para-public and private sectors, following recently issued recommendations by the House of Commons Standing Committee on Government Operations” to ensure that “employees in the public and private sectors have the freedom and protection to publicly warn about public health, misuse of public funds and other concerns.”

The last point they raise is about increasing “resources for monitoring, auditing, evaluation, enforcement and prosecution including additional funding for oversight agencies like the Auditor General, the Parliamentary Budget Officer, Treasury Board and for auditor and financial controllers in the affected departments.”

Can you comment on the importance of implementing these measures to ensure that public money is being spent and tracked in a transparent and accountable manner?

**Ms. Karen Hogan:** The role of the Office of the Auditor General is to help support Parliament in holding the government to account. We provide an independent, objective, credible source of information in order for Parliament to be able to do that. Clearly, any measures that would increase or add to transparency and oversight and accountability are ones that our office would applaud and is part of on a daily basis.

Adequate funding is, unfortunately, causing some constraints for us right now. If we had proper funding, we'd be able to carry out our mandate to the degree that we would like to be doing and believe that we should be doing.

As I mentioned, in addition to turning my attention to the Investing in Canada plan and COVID-19, once my nomination is done I will also be looking at continuing the dialogue that was started by my predecessors to secure sufficient funding for our organization.

• (1225)

**Mr. Matthew Green:** How will your office incorporate gender-based analysis plus, including race-based data, into your analysis and into its assessments?

**Ms. Karen Hogan:** We always consider aspects of sustainable development goals, and gender-based initiatives are part of them, in every audit that we do. We believe it's important to support the position of the government to focus on all of the 17 sustainable development goals. We have already modified the way we approach work. We continue to keep that at the forefront of any work we do.

**Mr. Matthew Green:** I would suggest that there may be some differences there and some gaps we have to explore in a further meeting.

Mr. Chair, at this point I'd like to put my motion, given that I may not have another round.

**The Chair:** Please go ahead.

**Mr. Matthew Green:** It states, “That, in the context of its study of the government’s response to the COVID-19 Pandemic and pursuant to Standing Order 108(1)(a), the committee send for all briefing notes, memos and emails from senior officials, prepared by the Minister of Health, the President of the Public Health Agency of Canada, the Chief Medical Health Officer of Canada, and the Minister for Public Service and Procurement between 2010 and the present day, regarding the stockpiling, management, disposal and replenishment of medical supplies in the National Emergency Strategic Stockpile; that the committee receive this information no later than May 25; that the matters of Cabinet confidence and national security be excluded from the request; and that any redactions to protect the privacy of Canadian citizens and permanent residents whose names and personal information may be included in these documents, as well as public servants who have been providing assistance on this matter, be made by the Office of the Law Clerk and Parliamentary Counsel of the House of Commons.”

**The Chair:** Thank you very much.

That motion is in order.

Colleagues, if you wish to participate in the debate or discussion, please raise your hand virtually. We'll see if we can get a speaking list, which Paul will coordinate.

There are a couple of things.

First, Mr. Green, I believe the date you indicated should be June 29. I'm not sure if you—

**Mr. Matthew Green:** Mr. Chair, you'll find, I think, if you seek it, that I've had conversations with members. I didn't want to change the motion from the notice of motion I had put. I didn't know if that was possible to do.

June 25 would be the interim report, but some amendments might come to address some of these aged out dates.

**The Clerk:** Mr. Chair, if I may intervene, the motion that Mr. Green gave notice of earlier this week, which was distributed to members, contained the June 29 date, so it would be in order for him to move that motion with the correct date.

**Mr. Matthew Green:** Thank you very much. Please strike May 25 and change it to June 25. It has been that kind of week here, as I'm sure everybody can appreciate.

**The Chair:** Thank you.

Mr. Green, it has been that kind of day for me too, so I have some empathy for you.

Colleagues, if you wish to join this discussion or debate, please raise your hand and we'll get a speakers list established. The first two I see are Mr. Drouin, followed by Madame Vignola and then Mrs. Block.

Mr. Drouin, please go ahead.

**Mr. Francis Drouin:** Thank you, Mr. Chair.

We agree in general with the motion. The only amendment, if I can propose a friendly amendment, is to the June 29 date. I would seek from my colleague whether we could agree to come to an August 30 date. The simple reasons are to allow the departments to

seek that information, but also to allow enough time for translation. We know already in our committee that the time from the report to the end of the report is almost a three-week process. I know the information we're seeking is going to be a lot thicker in terms of what will be provided to this committee, so we would propose an August 30, 2020, deadline.

• (1230)

**Mr. Matthew Green:** I'm happy to support that.

**The Chair:** Thank you.

We'll now go to Madame Vignola.

[*Translation*]

**Mrs. Julie Vignola:** I was about to make essentially the same proposal. I agree with the motion as a whole. Ten years of research is substantial. I'm in favour of a slightly later date, which is more reasonable for both research and translation. Mr. Drouin's amendment works perfectly for me.

[*English*]

**The Chair:** Thank you.

Before we go to Mrs. Block, we have an amendment.

Mr. Drouin has proposed August 30, so we are now debating the amended motion, one that I believe Mr. Green has indicated he would be amenable to.

Mrs. Block, we will now go to you on the amendment.

**Mrs. Kelly Block:** Thank you very much, Mr. Chair.

Given Mr. Green's acceptance of what I assume he views as a friendly amendment, we were prepared to support his motion as put forward to the committee, so we would support this amendment.

I note that ATIP requests appear to be delayed by departments. I believe this vehicle is really all MPs have left in terms of seeking this type of information, so we definitely support it.

**The Chair:** Thank you.

We'll now go to Mr. McCauley on the amendment.

**Mr. Kelly McCauley:** I lowered my hand. I'm fine, thank you.

**The Chair:** All right.

Paul, I have not seen any other hands, unless you have some that I missed.

**The Clerk:** Mr. Chair, I have not.

In order to take the decision on the amended version of the motion, including August 30 rather than June 29 as the date, it has to be by recorded division.

**The Chair:** We will have a recorded division. Thank you very much, colleagues.



(Motion as amended agreed to: yeas 10; nays 0 [See *Minutes of Proceedings*])

**The Chair:** Mr. Green, I did not dock you any time when you started your motion, so you still have approximately one minute left.

**Mr. Matthew Green:** Out of respect, I'll happily forgo the rest of my time and allow my colleagues—

**The Chair:** I'm sorry, I have no audio coming across, Mr. Green.

**Mr. Matthew Green:** Just out of courtesy for the rest of the members on the committee, I'm happy to forgo the rest of my time and allow the time to be recovered by them.

**The Chair:** Thank you very much.

We'll now go to our second round, which will be five minutes each.

Paul, who do we have first?

**The Clerk:** That would be Mr. Aboultaif.

**The Chair:** Mr. Aboultaif, you have five minutes, please.

**Mr. Ziad Aboultaif (Edmonton Manning, CPC):** Good morning, Ms. Hogan. Thank you for joining us today and congratulations on your appointment as the Auditor General.

We know that the COVID-19 pandemic has left a dire situation and immense challenges for federal and provincial governments. Spending on just two programs, the CERB and the CEWS, as of the report we received this morning, is over \$110 billion. On a lot of the spending, there are still questions that need to be answered, including on the CERB, and specifically on the CERB's lack of eligibility verification before the funds are sent out.

Will the AG's office be looking into programs such as CERB for cost overruns, fraudulent accounts and accountability?

• (1235)

**Ms. Karen Hogan:** Any time we approach an audit, obviously we look at the risk that fraud may have occurred or that there's a risk that fraud could occur in a program, and that will obviously cause us to either scrutinize a program differently or in more depth. As you mentioned, those two programs are very significant. They have had a big impact on Canadians and will likely be items that we will spend some time looking at.

We do recognize that as decisions were made quickly in order to react to the pandemic and in order to support Canadians, errors might occur, and when those errors occur, we would expect that an organization would have a mechanism in place to identify those and also have processes, procedures and mechanisms in place in order to address or correct those errors and, if needed, recoup any funds that were paid in error.

**Mr. Ziad Aboultaif:** So the answer is yes?

**Ms. Karen Hogan:** Short and sweet, if we do look at that program, the answer is yes.

**Mr. Ziad Aboultaif:** Thank you.

The current funding of the AG's office could challenge and interfere with your responsibility to oversee those dramatic increases in spending. How much does your office need in order to accomplish

a review of the government's response to COVID-19 and its usual mandate?

**Ms. Karen Hogan:** Being able to put a number to it is something that I am not able to do right now. We had a budget request that was submitted in the past that was looking for funding. I have begun preliminarily to look at that so that we can see whether we could update it, whether it needs updating and what adequate funding might be going forward.

Obviously, diverting a significant amount of our auditors to the two large audits of the Investing in Canada program and COVID-19 is going to take a sizable amount of our workforce. We still have some auditors who are doing performance work that's ongoing, but a good chunk of our auditors are going to be looking at these two audits, so if we want to increase our capacity, then we need to get more funding. I don't have the exact number, but I'm definitely looking at it.

**Mr. Ziad Aboultaif:** Given the way we communicate these days, with social distancing and so forth, that may also have a toll on your budget in general and your effectiveness to do the audit in a proper and normal way. To be specific, on a percentage basis, how much of an increase in funds do you think you would need to operate properly, given the new reality that we're facing?

**Ms. Karen Hogan:** Again, any number I might give you would probably be a shot in the dark.

I think when we talk about the new reality that we're going through, it impacts the funding in two ways. I see an increase, given the fact that we do anticipate certain delays and difficulties in connecting with the departments that we audit and for individuals to gain access to the information that we might need. I also see an opportunity for us to find ways to be perhaps a little more effective and a little more efficient. It is early days, and I think everyone is still trying to adapt and figure that out.

It would be hard to put a percentage out there. We need to look at both sides of the coin before we know exactly what the right level might be.

**Mr. Ziad Aboultaif:** There are also many questions that remain to be answered on the timing and effectiveness of the government's response to COVID-19, especially with regard to recommendations on using personal protective equipment and measures to prevent the COVID-19 virus coming into Canada.

Will your office be looking into investigating the effectiveness of the Government of Canada on the pandemic measures?

**The Chair:** Madam Hogan, we're completely out of time. If you could provide the answer to Mr. Abouttaif's question in writing to our clerk as soon as possible, I would appreciate that.

We'll now go to Mr. MacKinnon for five minutes, please.

• (1240)

[Translation]

**Mr. Steven MacKinnon (Gatineau, Lib.):** Good afternoon, Ms. Hogan.

I want to thank you and your staff for joining us. I want to congratulate you on your appointment, which is to your credit.

I see that the House of Commons' initial motion, which suspended our regular business, calls for your office to conduct an audit of all the measures taken by the government. In very general terms, can you explain what the House's request means and what it entails for the Office of the Auditor General of Canada?

**Ms. Karen Hogan:** The motion passed by the House of Commons calls for us to look at all the measures taken by the government, whether they involve money injected into the market or contracts awarded. This is related to health and safety. There are also the specific measures taken by the government.

I believe that the request is very broad. We now need to determine the scope of the response and where we'll have the best impact and the most significant value added for the government and for Canadians.

**Mr. Steven MacKinnon:** Where do you think that you should start? When is the best time to start? There are many programs and they have different objectives. How do you start this work? How do you determine when the work will be done?

Tell us a bit about the methodology that you plan to use.

**Ms. Karen Hogan:** When it comes to COVID-19, we're all wondering where to start. There's an incredible number of topics and aspects that we could look at. It's really a matter of establishing the criteria and the priorities to determine where we can have a slightly more immediate impact, so that it will be easier to make changes in the event of a second wave of COVID-19.

We're reviewing our approach to audits, and even the way that we report on them. We want to see whether we can ensure that the parliamentarians and the government receive information more quickly. Our goal is to avoid being presented with faits accomplis and commenting too late.

**Mr. Steven MacKinnon:** You admit, or you can see, that the timing issue is crucial for determining whether a program has achieved its objectives.

Are you conducting a counterfactual study? Let me explain. Are you looking at the potential impact of not having a program? For example, what could be the consequences of not having an emergency benefit in place?

**Ms. Karen Hogan:** It isn't part of our mandate to comment on decisions made by the government or on a policy implemented by the government.

Obviously, we'll look at whether the objective of a program such as a benefit had the expected effect. The program may lead to a shortcoming. However, when we start auditing a program, our goal is to identify the objective of the program and to see whether that objective is being achieved effectively and efficiently.

**Mr. Steven MacKinnon:** What role does context play in planning an audit? Are you taking into account the urgency of the situation? Normally, major programs involve several years of planning and discussion. However, we're talking about an emergency program here.

Do you take into account the importance of context in implementing this type of measure?

• (1245)

[English]

**The Chair:** Unfortunately, we're completely out of time, but I would encourage you to give a written response to Mr. MacKinnon's question. If you could submit it to our clerk as quickly as possible, I would appreciate that.

We'll now go to Mr. McCauley for five minutes, please.

**Mr. Kelly McCauley:** Thanks very much and, like everyone else, I congratulate you on your appointment.

I have a question regarding unfunded pension liabilities. Do you support the move to a bond yield-based calculation of the liabilities of unfunded plans of the public service pensions?

**Ms. Karen Hogan:** Pension accounting is a very interesting and complex area. I think it's probably only accountants who get excited about pension accounting, and perhaps actuaries.

**Mr. Kelly McCauley:** Believe it or not, I get excited by how I think we're doing and how we're recording our unfunded liabilities.

**Ms. Karen Hogan:** As you then appreciate, accounting for a pension liability includes so many different factors, so many assumptions—

**Mr. Kelly McCauley:** Right. I've long disagreed with how we measure our discount rates, though. I'm just wondering if you support a move to a bond yield-based calculation of the liabilities.

**Ms. Karen Hogan:** I was very much involved in the changes that were made several years ago, and in fact they had been changes that I had pushed for over several years. I believe that any time a change is made that results in a better valuation, that allows—

**Mr. Kelly McCauley:** Then you support the move to a bond yield-based calculation?

**Ms. Karen Hogan:** I support the move the government has now made because I believe it does result in a much better measure of a very long-term liability.

**Mr. Kelly McCauley:** Right, and based on the same logic, should that apply then to the identical liabilities of the funded plans?

**Ms. Karen Hogan:** There's a big debate, I believe, going on in the accounting standard-setting world right now—

**Mr. Kelly McCauley:** Right, and the reason I brought this up is that unfortunately your predecessor, Mr. Ferguson, had committed to following what the PSAB had come out with. Unfortunately, they've delayed their announcement or delayed their report, which kind of leaves things in the air. I'm wondering if you would apply the same logic to the funded plans for the discount rates.

**Ms. Karen Hogan:** There are merits on both sides. Right now applying what public sector accounting standards has set out as acceptable ways to measure funded and unfunded pension plans is, in my opinion, the best way to go.

Standards have been set by an independent body. They encourage comparability and transparency. The standard-setters, I hope, will revive that work, that task force, at some point, given that pensions are very important to so many layers of government.

**Mr. Kelly McCauley:** Why do you believe the finance department has not properly funded your office?

**Ms. Karen Hogan:** I unfortunately don't know what has motivated the decisions they've made in the past. I do know that I will continue to ensure that we have adequate funding in the short term. In the long term, we'll completely push for this independent mechanism that I think will allow us to have more predictable and stable funding. I also see a desire to have Parliament involved.

**Mr. Kelly McCauley:** That's great.

I have a long question. A 2018 public health planning document—this is a Government of Canada regulation—says that Canada should not rely on the WHO crisis levels to make national health decisions.

An Auditor General's 2008 report said that Canada should have a comprehensive and well-documented internal process and data systems for surveillance of pandemic-type issues.

COVID-19 pandemic responses have relied on the WHO pandemic phases to launch Canadian responses. I noted a couple of meetings ago that capital spending for PHAC's health security core responsibility, as noted in the public accounts, has dropped significantly over the last four years.

Do you think such a drop in funding to PHAC has played a role in our ability to run our own surveillance rather than relying on a third party such as the WHO?

**Ms. Karen Hogan:** Any comment I might have might be personal at this point and wouldn't be based on much factual evidence, so it goes against the grain of who I am, in that I would prefer to reserve comment until I have been able to look at the government's response and preparedness for this.

I believe that as Auditor General of Canada, you have to make sure your findings are fact-based and independent, so at this time I could not comment on that.

• (1250)

**The Chair:** Thank you very much.

**Mr. Kelly McCauley:** Thank you.

**The Chair:** We'll go now to Mr. Kusmierczyk for five minutes, please.

**Mr. Irek Kusmierczyk:** Thank you very much, Mr. Chair.

Congratulations, Ms. Hogan, on your excellent appointment. I wish you well in your tenure.

During this period of COVID, many of us have adopted new ways of communicating with constituents and each other with new technologies and new methods.

How do you envision modernizing the way the Auditor General's office communicates reports and information to Canadians? Where do you see the potential, moving forward, so they can access the information and maybe understand it and engage with it in a more modern way?

**Ms. Karen Hogan:** It's definitely one of the things I've been turning my mind to a great deal and one of the ways I believe our office can modernize how it works and how it reports.

Historically we've had a very long-form technical audit report that makes sense for the subject matter experts. There is always a need for something like that, but as you've said, the reliance on IT, on social media, is completely changing. New generations are digesting information in very different ways.

One of the challenges I'd like to put to our internal folks who do communications and reporting is how we can best modify reporting or offer different opportunities and different reports that are easily digestible in different media, whether videos or pictographs. The list goes on and on, and I am definitely not an expert in communications.

I think it is an opportunity for our reports to be used by so many more people and be much more far-reaching than they are now.

Obviously asking parliamentarians how you'd like to digest information and what would work better for you is something we'd have to consider as we look at how we modify our reporting record.

**Mr. Irek Kusmierczyk:** Thank you very much.

I know that connecting with the next generation is also absolutely important, and connecting with young people as well on the work of the Auditor General is important.

Will we see the AG's work on Instagram any time soon?

**Ms. Karen Hogan:** I am sure someone in our office is screaming. I don't know what they would tell me or if it's yes or no, but I'll look into that. How does that sound?

**Mr. Irek Kusmierczyk:** That's terrific.

I know the Auditor General obviously has to work very closely with many departments and ministries, and you try to balance the pressures and the additional workload your work puts on the ministries and different departments.

How do you balance that need to get information from ministries and departments and staff, and yet respect the fact that they already are dealing with quite a busy workload as well?

**Ms. Karen Hogan:** It's honestly a little bit of an art. In my previous work history, I had the opportunity to sit on both sides of that audit relationship, so I can appreciate the pros and the cons of being audited as well as being the auditor.

In my humble opinion, it starts with an excellent collaborative relationship with the people you audit. That's something we need to make sure we spend time developing and focusing on. Then it's about coming to a mutual agreement on timelines, on criteria, on how best to deal with each other's peaks and valleys of work.

It is really working together with entities and working together with Parliament regarding the timing of when we might be able to provide information. There are a lot of factors to consider, and it takes a bit of a dance or an art to get it all right. We don't always do it, but the matter is to learn from those lessons, and to improve the next time around.

**Mr. Irek Kusmierczyk:** This is just a question. Do you receive feedback as well from the ministries and the staff that you work with? Does the Auditor General receive feedback from ministries and departments in terms of those collaborative efforts?

• (1255)

**Ms. Karen Hogan:** We absolutely do—

**The Chair:** Please give us a very brief answer if you could, Madam Hogan.

**Ms. Karen Hogan:** I will. Following every audit, we do have post-audit surveys and we solicit feedback. We solicit feedback throughout the audit, but we do it in a very formal fashion at the end of every single audit we do.

**Mr. Irek Kusmierczyk:** Great. Thank you very much.

**The Chair:** Thank you.

We will now go to our final two-and-a-half-minute interventions, starting with Monsieur Barsalou-Duval.

[*Translation*]

**Mr. Xavier Barsalou-Duval:** Thank you, Mr. Chair.

Ms. Hogan, I have another question for you.

You said that resources and co-operation were an issue for departments. I was an auditor and I sometimes saw companies that didn't understand the role of the auditor or didn't find it important.

In these types of cases, what concrete steps do you take to obtain answers? You must do your job, which means that you need answers.

**Ms. Karen Hogan:** Our office and other officials play a role in educating people in the government about our work. An independent auditor isn't just there to find weaknesses. They can also serve as a partner in improving programs to achieve the desired results.

We must have good discussions. We must insist on having access to information and to public servants to do our job.

We've had issues in this area, but we've always been able to resolve them. I trust all the staff who work in the office and the public servants. We share a common goal of providing value added to Canadians.

**Mr. Xavier Barsalou-Duval:** Are any government departments or services more difficult to work with?

**Ms. Karen Hogan:** You could say so. In any organization or field, there are always places that present greater difficulties. Sometimes there are good reasons for this. The context must also be taken into account. Obviously, there are always difficulties.

[*English*]

**The Chair:** Thank you very much.

We will go to Mr. Green for our final intervention.

**Mr. Matthew Green:** Thank you.

Yesterday The Canadian Press reported that the President of the Treasury Board had sent a letter to all ministers stressing the importance of documenting government decision-making, managing sensitive files securely and making best efforts to answer requests under the Access to Information Act.

Former auditor general Michael Ferguson would often stress the importance of collecting data, collecting the right data, and using the data collected effectively.

Considering the speed at which departments are taking action and the significant amounts of money being spent, are you concerned with there being a lack of data and information, and the correct data being available for you to conduct thorough audits?

**Ms. Karen Hogan:** I am very much aware of the letter you're talking about that the President of the Treasury Board sent to all departments, and yes, we have commented often on data and data quality, which I imagine we will continue to comment on to ensure that decisions are properly documented. The rationale for them is extremely important. Having comprehensive and honest information to give to decision-makers is essential, and data quality is the foundation of that.

Am I concerned? I recognize that in the context we are in, decisions were made quickly and that people may not have been able to follow the processes or do it the way they'd like to, but—

**Mr. Matthew Green:** My apologies, but the question remains: Why weren't these policies or practices already put in place? Does this now raise a red flag that perhaps this wasn't already a part of their effective mandate?

**Ms. Karen Hogan:** It's my understanding that there are policies and practices about documenting decisions and judgment calls that are made. The letter, in my opinion, was recognizing that individuals are making decisions quickly and just reminding them that those key accountability mechanisms are still important, even though we're in very different and uncertain times.

• (1300)

**Mr. Matthew Green:** Thank you.

That's all I need, Mr. Chair.

**The Chair:** Thank you very much, Mr. Green.

Ms. Hogan, I will excuse you now. Thank you for your appearance. Once again, my personal congratulations for your nomination. I wish you nothing but the best of luck in your next decade of work on behalf of the citizens of Canada.

Ms. May, did you have your hand raised?

**Ms. Elizabeth May (Saanich—Gulf Islands, GP):** Mr. Chair, it was to ask if there was a chance to ask Ms. Hogan a very quick question, but it sounds like there's not.

**The Chair:** Unfortunately, we're completely out of time, because we have to adjourn at 1 p.m. sharp, and that is now.

Once again, colleagues, thank you for your participation. We'll see you all again, I'm sure, on Monday at 2 p.m. eastern time.

We are adjourned.

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