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Chair: Mr. Kelly McCauley



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Thursday, October 19, 2023

• (1530)

[English]

**The Chair (Mr. Kelly McCauley (Edmonton West, CPC)):** I call this meeting to order.

Colleagues, welcome to meeting number 79 of the House of Commons Standing Committee on Government Operations and Estimates, also known as “the mighty OGGO”.

Pursuant to Standing Order 108(3)(c) and the motion adopted by the committee on Thursday, September 28, 2023, the committee is meeting for a briefing by the Parliamentary Budget Officer and to consider committee business. We'll go in camera for the last 15 or 20 minutes for committee business—mostly the budgets.

I will remind everyone not to put the earpieces next to the microphone, as it causes feedback and potential injury.

Mr. Giroux, this is meeting number 79, and I think it's probably your 75th appearance. Welcome back. It's wonderful, as always, to have you here. We'll turn things over to you for your opening statement.

[Translation]

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

My opening remarks will be brief because I'm sure committee members will have plenty of questions for me.

[English]

In the last few weeks, we have released a number of reports, notably on a universal drug plan, on the potential return on investment on electric vehicle car battery plants and on our economic and fiscal outlook. I assume that you and your colleagues will have questions on these reports, but I'm happy to take questions on these or any other topics.

**The Chair:** That's wonderful, sir. Thank you very much.

We'll start with Mrs. Kusie for six minutes, please.

**Mrs. Stephanie Kusie (Calgary Midnapore, CPC):** Thank you very much.

Thank you very much, Monsieur Giroux, for being here with us today. It's very much appreciated.

As I said in the House yesterday, back in March the finance minister said that the budgetary deficit was going to be \$40 billion, and in your recent report you indicated that she was off by more than \$6

billion. Why would it be that she was off by such an incredibly large amount?

**Mr. Yves Giroux:** We base our estimate on information that is known at the time, but there is one big unknown, information that the minister probably has but we don't, and that is the final deficit for the year that ended on March 31. We still don't have the public accounts. Based on that incomplete information, we do indeed estimate that the deficit for the current fiscal year will be \$46.5 billion, and that's due to slower revenue growth and also higher expenditures. That's why we think the deficit will be some \$6 billion higher than what the minister indicated earlier this year.

**Mrs. Stephanie Kusie:** Thank you very much for that response.

I see that between the current fiscal year of 2022-23 and that of 2028-29, expenditures will increase significantly. I believe it's an average of \$4 billion every year. Why is that, please?

**Mr. Yves Giroux:** It's due in good part to new programs that have been announced and included in our fiscal projections. There are a number of programs. I don't have the precise, specific list, but we included all the information that was available as of September 15, including information that was provided to us by the Department of Finance. It's mostly due to new programs, because existing programs tend to cost slightly less than what the government indicated. It's mostly new spending and new programs being introduced.

• (1535)

**Mrs. Stephanie Kusie:** That's right. In your report you say, “This upward revision is due to new measures”, so I was going to ask you to expand upon those new measures that are outlined in the report—those announced in budget 2023 and through to September 15. Are there any specifics you would like to mention within those new measures or those new expenditures relative to the deficit increase, please?

**Mr. Yves Giroux:** Well, the dental program is certainly a significant piece of these new expenditures. So, to a large extent, are the subsidies for electric vehicle battery plants, even though these will be progressively coming into force as production ramps up at the two plants. These are two things that come to mind.

**Mrs. Stephanie Kusie:** I believe my colleague Mr. Lawrence will get further into the finance aspects of it, but would you say that reduced expenditures would make us less dependent on nominal GDP growth in the future?

**Mr. Yves Giroux:** Reducing the overall rhythm, pace or absolute level of expenditures would certainly have one advantage: It would reduce the debt servicing cost, which is another item of expenditure that is rising relatively fast, due in good part to the rising level of debt but also the increasing interest rates. Slowing down the pace of revenue, assuming that this would translate into a lower deficit, would contribute to reducing the reliance of the government on debt financing and reducing debt servicing cost.

**Mrs. Stephanie Kusie:** You're saying that if the government spent less, then we wouldn't have to rely so much on nominal GDP and therefore taxation adding to revenues.

**Mr. Yves Giroux:** Reducing expenditures could allow the government to reduce some taxes. If that's your question, then the answer is yes, it could lead to that.

**Mrs. Stephanie Kusie:** Thank you.

I'm now going to move on to the "Overview of the Government's Digital Service Transformation".

Your comment in the summary of your report reads:

While the Government has made improvements, there is still inconsistency in the ease of access and use of services. There is also no centralized information on the total amounts that have been spent or saved on these initiatives, as the latter is generally not tracked.

Why do you think this is the case? Why do you think that in a time when we're seeing a \$46-billion deficit, \$6 billion greater than anticipated, even back in March, we're seeing a government that isn't even making the effort to track or use data for savings within the government?

**Mr. Yves Giroux:** That's a good question: Why are departments not tracking that information? For example, the progress they are making towards digitizing the client or citizen services and the potential savings that are derived from this increased digitization is, in my opinion, a missed opportunity to track what is potentially a good story when the government is digitizing services from end to end, because it can lead to substantial savings.

For example, processing a tax return or an application electronically costs significantly less than processing it manually, whatever the system is or the process is. Doing that end to end electronically costs significantly less than doing it in person or through call centres. The government doesn't seem to be tracking these savings, or certainly not to a significant extent.

**Mrs. Stephanie Kusie:** In the AG report this morning, a third party estimated that to modernize the systems, it will take between \$2.7 billion and \$3.4 billion. Would you agree with this estimate? Give me a yes or no.

**Mr. Yves Giroux:** I don't know. I haven't looked at the cost of—

**The Chair:** I'm afraid we'll have to take that "I don't know" as an answer for now.

**Mrs. Stephanie Kusie:** Thank you, Chair. Thank you, Mr. Giroux.

**The Chair:** We have Mr. Jowhari for six minutes, please.

**Mr. Majid Jowhari (Richmond Hill, Lib.):** Thank you, Mr. Chair.

Once again, Monsieur Giroux, welcome to our committee.

I want to go once again on the record, as I always do, and thank you for making yourself available to this committee, always on short notice, and also for being a great partner in our office. Every time I've called your office, you and your team have been very accommodating and very helpful.

I want to actually stay on the same topic as Madam Kusie and talk about the digital service transformation.

You had touched on some of the benefits this will bring to the government, but also, in your report, you talked about some of the unique challenges that Canada is facing. We've benchmarked ourselves against the OECD and some other countries. Can you talk about some of those challenges? You were quite clear in your report that there are areas where we could improve, and opportunities around tracking, around integration. I would appreciate it if you could spend a little bit of time on those challenges as well for us.

Thank you.

• (1540)

**Mr. Yves Giroux:** Sure.

In discussing with experts in the lead-up to that report, it became obvious to us that there were several challenges.

Providing services from coast to coast to coast and even internationally, when we talk about passport services and immigration services, is a challenge, with various locations in different time zones. These are not insurmountable challenges, but these are challenges.

The other very important aspect is security. That is very important to everybody who works in the IT space, and it's especially true for the government, because people put their trust in government when it comes to safeguarding their personal information. It's even more important for governments to ensure the security of IT systems and citizen-facing systems.

Another aspect is the provision of services in both languages, which some countries don't have to face. Again, it's not an insurmountable challenge, but it adds to the complexity.

As well, there are the legacy systems, which are another challenge for government services.

Finally, what came out loud and clear in talking to government sources were the staff and labour shortages in the IT system.

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

Specifically, in your report you hit on a couple of initiatives. The CRA was one and the IRCC was another one. You rightly touched on the fact that, especially when we are trying to process the application of a file, international security plays a huge role, as these are core systems around our immigration and our processing.

Given that these initiatives may be starting at different times, can that result in data being available, as far as integration is concerned, at different stages? It might be considered a reason that we are not at a stage that we should be in the integration of these systems.

**Mr. Yves Giroux:** It could be one reason, although not being an IT specialist myself, it's difficult for me to say that it is definitely one reason. Based on what we've seen, it's a plausible explanation. The fact that the government may want to move in increments, as opposed to doing one big transformative approach, could also be one reason that progress is not as fast as some would like.

**Mr. Majid Jowhari:** Thank you for highlighting that increment. As you highlighted in your report, when it comes to passport digitization and online processing, the target number is about 600,000, whereas the overall need is about 4.5 million to 5 million passports.

In your opinion, when you did the study, what might be the driver of that phased approach?

**Mr. Yves Giroux:** There are probably two things. One is funding, because resources are scarce. We were also told by senior government officials that even if there were unlimited funding provided, for example, it would be very difficult to find the qualified individuals who would be capable of establishing end-to-end digital services for citizens. Money is one driver but, more importantly, qualified staff is another.

**Mr. Majid Jowhari:** Okay.

From a strategy point of view—I only have about 30 seconds, which won't leave you much time to respond—you said that we are ranking well. When it comes to the execution, we are not ranking as high as when we look at the strategy.

Could the fact that we in Canada are dealing with the challenges of staffing, especially in that technical area, be a driver of that?

• (1545)

**The Chair:** I'm afraid that there's no time for an answer.

**Mr. Yves Giroux:** I had 30 seconds.

**The Chair:** No, you have two seconds.

We'll go to Mrs. Vignola for six minutes.

[*Translation*]

**Mrs. Julie Vignola (Beauport—Limoilou, BQ):** Thank you, Mr. Chair.

Mr. Giroux, thank you for coming to see us again on such short notice.

Mr. Giroux, we've already talked about how the number of public servants has gone up significantly in recent years. Despite that,

there are problems with passports, as someone mentioned, and Canada Post. For example, one of my colleagues received notes from someone in a riding other than his. That's to say nothing of neighbouring villages that have identical addresses and postal codes. Apparently mail intended for one is being delivered to another. You have to experience that first-hand to understand.

Should we be worried that spending on hiring is going up even though the impact on service leaves something to be desired? How can existing services be improved?

**Mr. Yves Giroux:** That's a very interesting question.

My office and I have observed a significant increase in the number of public servants over the past few years. Since about 2016, the number of public servants has gone up dramatically, and payroll spending has gone up proportionally in part because there are more employees and in part because compensation is higher.

What we haven't seen is significant service improvements. We have observed some recent improvements, but departmental performance indicators are not all rosy. We did a study a year ago on Indigenous Services Canada's performance indicators, and about half of the indicators were not met. Departments set these targets themselves, so it's very concerning that they can't even achieve half of them. In addition, there were high-profile issues that surfaced in the summer of 2022: border services, passports and delays in other services.

So, yes, that worries me a lot.

**Mrs. Julie Vignola:** Thank you, Mr. Giroux.

The number of programs is currently growing. We've already talked about that.

The Research Institute on Self-Determination of Peoples and National Independence, or IRAI, published a study yesterday. That study focused only on Quebec, so it doesn't cover Canadian provinces and Canadian territories. According to this study, there is \$7.5 billion in duplication of services between the Government of Quebec and the federal government.

Is that figure acceptable? Should there be duplication? Could your office study the implications of service duplication between levels of government?

**Mr. Yves Giroux:** In my opinion, this is almost inevitable in a federation where several levels of government have to share certain responsibilities. Some responsibilities clearly belong to one government rather than the other, but there are also shared responsibilities. I am thinking, for example, of justice and certain other areas where responsibilities have been transferred over time. I think it's normal for there to be some duplication.

I haven't seen the \$7.5-billion figure, so I can't comment on it. However, I know from experience that there is duplication in the collection of taxes. There is duplication between Quebec and the federal government. It can easily reach hundreds of millions of dollars.

We could estimate the administrative cost of these duplications if the committee passed a motion to that effect and determined certain parameters. We could look at that.

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

Before such a motion is proposed, I would like to go back to your recent report, titled "Economic and Fiscal Outlook—October 2023". In that report, you say that the federal debt-to-GDP ratio will rise to 42.6% in 2023-24, and that, if no further measures are taken, that ratio will decline to 37.8%, which is still well over the pre-pandemic rate of 31.2%.

Has your team estimated how many years it will take to get back to the pre-pandemic rate?

• (1550)

**Mr. Yves Giroux:** We haven't estimated that. We usually do five-year forecasts. The period in which the debt-to-GDP ratio would return to pre-pandemic levels extends well beyond a five-year horizon.

**Mrs. Julie Vignola:** I find that quite worrisome, especially since a number of infrastructure assets are currently at the end of their life. They are 40 or 50 years old, and their renewal must be planned.

Is the renewal of infrastructure assets at the end of their life included in your estimates? Could it change that estimate?

**Mr. Yves Giroux:** That may make it vary. It depends on the time horizon in which the government is making the investments to renew or to keep the infrastructure in place.

Here's what happens with the accounting infrastructure under accrual accounting. If the government buys the infrastructure, that has no net impact on the deficit or the debt in the first year; it is the amortization of that infrastructure that would have an impact.

[English]

**The Chair:** Mr. Johns, go ahead, please.

**Mr. Gord Johns (Courtenay—Alberni, NDP):** Thank you.

Thank you for being here and for the important work you're doing.

Last time you were here, we talked about the carbon tax. You stated that eight in 10 Canadian families will come out ahead on the carbon tax.

The Governor of the Bank of Canada cited that the carbon tax would have an inflation impact of about 0.15%. That's 15¢ on \$100 spent. Would that equate to the same on a \$100 bag of groceries? Would it be 15¢?

**Mr. Yves Giroux:** It would depend on the exact composition of that bag of groceries, but on average, that should be about the same thing.

**Mr. Gord Johns:** I calculated the corporate profits from big grocery stores. That looks like about \$3.90 on a \$100 bag of groceries. Have you looked at and done an analysis on the corporate profit side of things?

**Mr. Yves Giroux:** We have not; not on groceries.

**Mr. Gord Johns:** You also identified that when it hits \$170 a tonne, the carbon tax impact on inflation is going to be about 0.5%. It's not nominal and it's not nothing, but it is related.

Have you looked at the corporate profits of oil and gas, as I mentioned around groceries? We've seen huge profits in oil and gas. The carbon tax went from 11¢ to 14.3¢, but where I live, it's \$1.78 at the pump for a litre of gas. Very little of that is the carbon tax. Most of it is corporate profit.

Have you done any studies on the impact of that?

**Mr. Yves Giroux:** We are in the process of looking at the motion from your colleague, Mr. Morrice, which asks us to cost a tax on profits for the oil and gas sector. We were planning on releasing that soon—a few days ago, actually—but we encountered unexpected delays. We plan to release the revenue-raising measure of such a tax.

**Mr. Gord Johns:** Have you looked at what the impact would be on the Canadian economy if we didn't have the carbon tax and what the impact would be of a border carbon adjustment that would be applied on Canada, should we do nothing?

Secondly, if we did nothing, what would the eight in 10 who currently get a rebate shoulder if we put it on everybody and shared it?

**Mr. Yves Giroux:** We haven't done a scenario in which nothing is done.

What we have done looks at the impact of climate change. In that hypothetical scenario, we have assumed that everybody does what they're supposed to do. We have two scenarios. In one, people have made commitments and they fully meet these commitments. In the other scenario, it's only the policies that are implemented as of now. We find there is a significant economic impact between now and 2100—over the next 75 to 77 years.

**Mr. Gord Johns:** In a report you did way back in 2014, I think, you projected that the impact of climate emergencies would be about \$900 million a year and that it would eventually be between \$43 billion and \$50 billion a year. My understanding is that we're well over \$5 billion in the last year from wildfires and flooding. Have you looked at the impact on inflation from climate-related emergencies?

I can share with you that in my riding, the highway was cut off by a fire. The impact on inflation where I live was much more than the 0.15% from the carbon tax.

Have you looked at or are you considering doing a study of the impact of climate-related emergencies on the Canadian economy and how much that impacts inflation?

• (1555)

**Mr. Yves Giroux:** We haven't looked at the impact of climate-related emergencies on inflation, but there is a lot of interest from parliamentarians in our work on carbon and climate. We are constantly reassessing what the next topic in that area should be.

**Mr. Gord Johns:** As you can imagine, this won't be a surprise question from a New Democrat who was part of the team that negotiated a pharmacare plan in the confidence and supply agreement with the Liberals.

Back in 2017, you conducted a cost analysis for a single-payer universal pharmacare program for Canada. The report found that we can extend comprehensive prescription medicine to cover every single Canadian while also saving billions in overall drug costs.

Last week you published a report updating that analysis of single-payer universal pharmacare and once again found that it will save Canadians billions of dollars over the next five years, starting with \$1.4 billion of savings in the next fiscal year alone.

Can you explain why you found that comprehensive, single-payer universal pharmacare will expand access to the millions of Canadians who currently lack adequate coverage while also reducing overall drug costs?

**Mr. Yves Giroux:** We have assumed that if you have a single payer in Canada for prescription drugs, there will be a bigger and more powerful negotiating power on the part of that single payer and they'll be able to negotiate a lower cost for drugs. As well, some confidential rebates that are currently being provided to some provincial public plans would also be included in that single-payer drug plan.

Therefore, it's a result of lower overall drug costs as result of that bargaining power. That will be, in part, eaten up by more access to drugs, notably by those who don't have a drug plan right now or who have to pay a significant portion out of pocket. An increased use of drugs—

**The Chair:** Thanks. I'm afraid that's our six minutes. We'll go to our next round.

Mr. Lawrence, go ahead for five minutes, please.

**Mr. Philip Lawrence (Northumberland—Peterborough South, CPC):** Thank you.

Thank you very much, Mr. Giroux. I always enjoy the conversations we have.

Just to pick up on what Mr. Johns was talking about, what would be the total cost to the taxpayers of a single-payer pharmacare program?

**Mr. Yves Giroux:** We estimate the total cost to be \$33 billion in the first full year of implementation, rising to \$38.9 billion. That's the gross cost in 2027-28.

**Mr. Philip Lawrence:** In your economic and fiscal outlook, you haven't included that cost, correct?

**Mr. Yves Giroux:** No, because that was not known as of September 15.

**Mr. Philip Lawrence:** Do you think that would have a material impact on your numbers?

**Mr. Yves Giroux:** It would have a material impact, but it would depend on the exact split between the federal and provincial governments. The numbers I quoted to you were gross numbers. If we subtract amounts already spent by provinces and by the federal government, the net cost comes down to about \$13 billion, so it depends on how that additional expenditure is split between federal and provincial governments, but it would have a material impact on deficit figures going forward.

**Mr. Philip Lawrence:** Of course, you are also aware that Canada is not living up to our NATO obligation of spending 2% of our GDP. If we were to do that, would that have a material impact?

**Mr. Yves Giroux:** If we were to reach the 2% target, that would mean additional costs of \$10 billion to \$12 billion per year. I don't remember off the top of my head, but we released a short report last year on that very topic.

**Mr. Philip Lawrence:** You have probably also read that the former head of Statistics Canada, Philip Cross, has said we currently have the worst per capita GDP since the Great Depression, and the OECD predicts us to have the least and the worst capital investment of any OECD country, the lowest productivity and the lowest economic growth.

Clearly, there is a storm brewing here, right? These numbers are not great. I don't feel great and I don't think the people of Northumberland—Peterborough South feel great about a debt-to-GDP ratio approaching 50% and a deficit now predicted at \$46 billion, but this could get much worse, couldn't it, Mr. Giroux?

• (1600)

**Mr. Yves Giroux:** If the government follows through on a pharmacare plan, for example, or increasing defence expenditures, and that is not associated with additional tax revenues, the deficit will go higher and the debt-to-GDP ratio could stop falling or it could even start rising, so it's quite possible.

**Mr. Philip Lawrence:** Mr. Giroux, you've been very candid before, and I really appreciate your candour. When, as a Parliamentary Budget Officer, would you start getting concerned or nervous for the financial stability of the country? Is it at a 50% debt-to-GDP ratio, a \$100-billion deficit? What would be...?

**Mr. Yves Giroux:** It's not necessarily an absolute number, because we see countries such as Japan, which is above 200% or was above 200% of GDP but is doing still relatively well in the financial markets. It has to be looked at in conjunction with other countries. There is no one number where we hit a wall, so to speak. It's in the perspective of being on a path of ever-increasing debt-to-GDP ratio in the longer term. That is what would really be worrying.

**Mr. Philip Lawrence:** We've also heard from many economists. We heard from Tiff Macklem that we were going to be low for long, and now we're hearing it's going to be high for long.

The other risk factor is that we could have continuing high interest rates, which could cause our debt services charges to increase. Is that something we should be concerned about as well?

**Mr. Yves Giroux:** It's always something to be concerned about when you have an accumulated stock of debt that has to be refinanced. It's always risky to assume that when interest rates are low, they will stay low forever. Hoping for the best and planning for the best is not very prudent. That's why it is always advisable to factor in some level of prudence when you are making long-term projections.

**Mr. Philip Lawrence:** We've seen some evidence that this might be occurring as we look at the bond markets, and we've seen the bond prices appreciate considerably over recent days. Is that something your office follows? Is it something that should give Canadians concern?

**Mr. Yves Giroux:** It depends. It depends on what happens in the fall update that the government will be tabling imminently or in the fall, and what happens in the budget. If the direction is decreasing deficits, it won't be that worrying, but if we see deficits increasing and the debt-to-GDP ratio not decreasing or even going upward, that is something that could be worrying, depending on the longer-term trend.

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

We have Mrs. Atwin, please.

**Mrs. Jenica Atwin (Fredericton, Lib.):** Thank you very much, Mr. Chair.

Thank you very much, Mr. Giroux, for joining us.

The last time we saw each other was at the indigenous and northern affairs committee. I'm happily on the OGGO committee now.

I'd like to focus on the overview of the government's digital service transformation. I'm particularly interested in environmental impacts, and also how accessibility can improve service delivery in our own riding offices as well.

Your report mentioned there were inconsistencies, even though there have been improvements made, and also perhaps a lack of transparency. I'm wondering how we could improve transparency to determine whether funding for the digital transformation initiatives is sufficient to address the priorities identified in Canada's digital government strategy road map.

**Mr. Yves Giroux:** The comments related to transparency related to the fact that when the government announces investments in digital services or IT transformation, it often announces the numbers overall, allocating millions or hundreds of millions of dollars to improve digital services and upgrade IT systems. It's very difficult for us, for anybody in fact, to determine the part that is allocated to maintaining or upgrading the back office systems—for example, the hardware that makes everything happen—versus the amounts that are spent on improving or digitizing services.

That's what we meant by “transparency”. Departments don't seem to track these numbers distinctly. They see it as one big bundle.

**Mrs. Jenica Atwin:** I also noted that there were important aims to improve client services in CRA and in ESDC, and there was a

comment about the linking to the My Account piece and not being able to access some of that information.

I'm wondering if you've followed up with the CRA about their information and why it could not be publicly disclosed.

• (1605)

**Mr. Yves Giroux:** We have followed up with them. It was an inadvertent mistake that they identified the information as confidential, when in fact it was not confidential. We asked them before they released the report if they were sure this was confidential, but there was a misunderstanding somewhere in the chain of command at the CRA, and they mislabelled the information as confidential.

**Mrs. Jenica Atwin:** Maybe without even disclosing some of that specific information, could you describe any conclusions that your office could draw from the My Account tool?

**Mr. Yves Giroux:** Yes.

The My Account tool at CRA is quite efficient at providing a whole suite of services, and CRA has made significant investments over time to ensure that My Account is providing more and more services, going beyond just the statement of account to providing the capacity to look at your notice of assessment to then providing information that you need, for example, as a result of an audit or an information request. Gradually the CRA has been able to expand its services delivered through My Account, which we found was an interesting development. Having used these services myself, I found them quite convenient.

**Mrs. Jenica Atwin:** It also had me thinking about digital service transformation as a whole and how this encompasses some Canadians who don't have access. I'm thinking about perhaps remote indigenous communities, seniors, or the disability community. Should we focus only on those cost savings, even though we might not be able to include everyone? I'm interested in your opinion on that.

**Mr. Yves Giroux:** I think digital services can help make services more accessible for those in remote communities, for example, or those with mobility impairments. Being able to access these services in the comfort of your home, to use a well-known formula, can be very handy and useful for people who don't have the means to get to government offices. However, it can also serve as an impediment if you don't have access to a bandwidth or a computer.

There are pros and cons, but I think it boils down to the fact, or it suggests, that even though digital service is probably what most Canadians expect, there always has to be another alternative for clients to access the services if they can't or won't access services digitally.

**Mrs. Jenica Atwin:** More broadly, what considerations should the government keep in mind when looking at spending reviews?



**Mr. Yves Giroux:** That's a very interesting one. It depends. I think the government has to keep in mind what its ultimate objectives are and have a clear set of criteria as to what services or programs it wants to maintain and which ones it's ready to let go of, as well as whether it wants to do spending reviews to reduce some programs or services or whether it wants to target only internal services. Then that leads to different paths for service or program reviews.

**The Chair:** Thank you very much. We're right on five minutes.

Ms. Vignola, you have two and a half minutes.

[*Translation*]

**Mrs. Julie Vignola:** Thank you very much, Mr. Chair.

Mr. Giroux, in your memo on the digital services tax, you say that your analysis does not take into consideration the fact that the government will have to expend additional resources to manage this tax.

In your opinion, with 1% of the population being federal public servants, does the government have the internal resources to manage this new tax? If not, how many public servants would need to be added, roughly speaking?

I know it's hard to answer this off the top of your head.

**Mr. Yves Giroux:** It depends on how the legislation would be drafted to implement such a tax.

The difficulty comes from the fact that design greatly influences implementation. However, given that the number of platforms to which a tax of this nature applies is not very large, there is probably no need for hundreds of public servants to administer it. We just need to have the right legislative tools. I don't think this tax would require a lot of resources, given that the players to which it would apply are relatively few and easily identifiable.

• (1610)

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

In your report on the economic and fiscal outlook, do the calculations on the deficit and what is projected over the next few years take into account the President of the Treasury Board's request to cut \$15 billion? If so, should that amount be increased so that it would have a real impact? How much would the budget cuts have to be in order to have a positive effect on the deficits? We do not want this to have a negative effect.

[*English*]

**The Chair:** I am afraid you won't have time to answer that in this round. You can answer in writing, or perhaps in the next round.

Mr. Johns, you have two and a half minutes.

**Mr. Gord Johns:** Your report on full-time equivalents in the public service shows that the number of FTEs is projected to decline from 428,000 to 400,000 by 2025-26. That's 4.7% higher than prepandemic levels. However, according to StatsCan, Canada's population is projected to grow 5.7% to 9.3% in that same period, so the public service could grow by as little as half as much as the population grows.

Would you expect to see a decline in the availability or quality of services Canadians receive if the population continues growing faster than the public service?

**Mr. Yves Giroux:** That's an interesting question too.

It depends on where these additional public servants are placed and where any additional increases happen. We've seen the government announce additional public servants in areas where they provide direct services to the population. However, we've also seen an increase in public servants on back-end applications—in internal services, for example. Those are public servants who are not directly responsible for direct services.

To have an impact on the services, it would depend on where these additional public servants are or would be in the future.

**Mr. Gord Johns:** Looking at the size of the federal public service compared with the size of Canada's population, it's pretty revealing. I think that in the 2006-07 fiscal year, the public service size was 1.06% of our population size. Following prepandemic declines, our public service has reached 2006 levels again. In 2022-23, it was at 1.07% of our population. However, we're projected to decline again. In 2026, we're expecting the public service to dip below 1%.

Have you analyzed which gaps in the public service would result from this decline? We saw the Conservatives cut, say, a third of Veterans Affairs, which led to a backlog that is costing more money for people and to Canadians not getting access to benefits. There were cuts to DFO too.

What does it look like for cuts?

**Mr. Yves Giroux:** We have not looked at the impact of potential reductions in the size of the public service—for example, where those would be, what they would look like and what their impact would be on services. It's something we will consider doing once we can get more information and once the plans for the \$15 billion in reallocations or reductions have materialized. It's something we are considering doing in 2024.

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

Mr. Genuis, you have five minutes, please.

**Mr. Garnett Genuis (Sherwood Park—Fort Saskatchewan, CPC):** Thank you, Chair.

I am very pleased that we have the Parliamentary Budget Officer with us at committee today.

Sir, could you start by telling us what Canada's current national debt is?

**Mr. Yves Giroux:** I had the number handy and I've lost the page. Roughly speaking, it's about \$1.2 trillion, based on our most recent economic and fiscal outlook.

**Mr. Garnett Genuis:** Canada has a federal national debt of \$1.2 trillion.

What was Canada's total national debt in the year 2015, when Prime Minister Justin Trudeau took power?

**Mr. Yves Giroux:** I don't have that number off the top of my head. I don't have historical numbers. I'm sorry.

**Mr. Garnett Genuis:** Do you recall it approximately?

**Mr. Yves Giroux:** Approximately, it would be around \$500 billion to \$600 billion, if my memory serves me well.

**Mr. Garnett Genuis:** The national debt was \$500 billion to \$600 billion in 2015 when Justin Trudeau took office. It is \$1.2 trillion now. You're using an approximate figure historically, but are you fairly confident that the national debt has more than doubled in the eight years that Justin Trudeau has been Prime Minister?

**Mr. Yves Giroux:** If not more than doubled, it has close to doubled. Given that I am going on memory here, I wouldn't want to be too definitive.

• (1615)

**Mr. Garnett Genuis:** If not exactly, then approximately....

What are the total debt servicing costs projected for this fiscal year? That's the cost associated with having that debt.

**Mr. Yves Giroux:** We estimate that it will be \$46.4 billion in the current fiscal year.

**Mr. Garnett Genuis:** According to the numbers I have, that is a significant increase in debt servicing costs over the last year. If I understand correctly, it's because of an increase in interest rates.

**Mr. Yves Giroux:** Yes. Last year we estimated these numbers to be \$34.8 billion. We'll have final numbers when the government tables the public accounts.

**Mr. Garnett Genuis:** Since the current Prime Minister is responsible for about half of the national debt, it follows that half of the total debt servicing costs we're paying are a result of debt accumulated in the last eight years. Is that correct?

**Mr. Yves Giroux:** Not exactly. We need to look at the historical debt and what the composition of that debt is. Debt that was incurred, for example, in the 1990s would be at a higher interest rate and we would still be carrying some of that debt on our books.

Half is a rough approximation, but that may overstate it slightly.

**Mr. Garnett Genuis:** As that old debt has to be renewed, we renew it at the current interest rates, which may be lower than they were in the nineties, but they're substantially higher than they were two or three years ago as a result of the various factors that have led to an increase in the cost of borrowing for government as well as for Canadians.

In terms of that debt servicing cost of \$46.4 billion, could you give Canadians a sense of what else could have been purchased for that amount of money, in terms of health care transfers or other needs that Canadians have? What is that value equivalent to?

**Mr. Yves Giroux:** I can give you a couple of numbers to put these things in perspective.

Elderly benefits this year will be \$76 billion. That's providing old age security and the guaranteed income supplement to all seniors. Employment insurance this year will be \$23 billion. Regular EI and parental and maternity benefits, etc., will be \$23 billion.

**Mr. Garnett Genuis:** Just to interrupt you there, that's an interesting thought experiment.

If this Prime Minister is responsible for debt that led to about half of the debt servicing costs.... You say it could be a little less than that, so let's say that we're paying \$20 billion to \$23 billion in debt servicing costs associated with this Prime Minister's debt. That's the equivalent to doubling employment insurance or doubling the value of maternity leave for everyone. We could be doing that, let's say, instead of paying debt servicing costs.

**Mr. Yves Giroux:** That's one interpretation. I wouldn't want to be the one stating that, because I need to do a bit more analysis.

**Mr. Garnett Genuis:** You're very precise, sir. I appreciate that.

Overall, your estimate is \$46.4 billion in debt servicing costs. Roughly half, maybe slightly less, is solely the responsibility of this Prime Minister, who has doubled our national debt in the last eight years. I think it's clear that he is not worth the cost.

I thank you for your hard work and analysis.

**The Chair:** I'm not going to be able to give you time for a response, but perhaps at another time.

Mr. Bains is up for five minutes, please.

**Mr. Parm Bains (Steveston—Richmond East, Lib.):** Thank you, Mr. Chair.

Thank you to Mr. Giroux for joining us again.

The President of the Treasury Board of Canada recently published this month "guidance about the use of contracted professional services, including management consulting." The press release stated that this new set of guidelines "will help managers determine when to contract for professional services versus when to use internal resources." It also says, "The Guide also lays out practical considerations for managers when structuring contracts so that they deliver best possible value, can be effectively managed, and fully align with requirements of the Directive on the Management of Procurement."

Could you please tell us your thoughts on this new set of guidance?

**Mr. Yves Giroux:** It's difficult for me to assess and to speak about these guidances, because that was part of the spending reviews. My understanding is that it was part of the spending reviews and the announcement that there would be a reduction in service contracts. I forget the exact terminology.

It's difficult for me to comment on that specifically. I'm sorry.

• (1620)

**Mr. Parm Bains:** Okay. I'll go into something else.

You asked parliamentarians and legislators to consider examining existing legislation to identify and address other potential barriers to service digitalization, data protection and security and exchange.

Do you have pieces of legislation in mind?

**Mr. Yves Giroux:** It's mostly the FAA, the Financial Administration Act, which restricts the type of agreements that federal institutions can enter into with their counterparts when it comes to providing digital services.

It was a commitment by the government, I think in the 2021 budget, that there would be amendments to the FAA, as we call it. Instead, the government went through regulations.

Those are the kinds of things that we had in mind—amendments so that federal institutions can more easily enter into agreements for service delivery with their provincial partners, for example, or other entities at other levels of government.

**Mr. Parm Bains:** What would be required for the government to implement a centralized process to track costs and savings resulting from its digitalization initiatives?

**Mr. Yves Giroux:** I think it would be a directive from the Treasury Board and the Treasury Board Secretariat so that departments can better distinguish between the cost of maintaining their IT systems on the one hand and the cost of improving digital services or introducing new services on the other. I think that would be the easiest way to track these two different types of spending streams.

Essentially, a directive from the Treasury Board and the Treasury Board Secretariat would probably be sufficient.

**Mr. Parm Bains:** You estimated in a written communication to committee that “the...cost for the average full-time equivalent for the public service” was roughly \$135,000 for 2023-24.

Have you costed the savings that would result from the projected decline in full-time equivalents from the current fiscal year to 2025-26?

I'm not sure I heard that earlier. I'm not sure if it was asked.

**Mr. Yves Giroux:** No, we have not costed the savings resulting from the projected decrease in full-time equivalents. What we have found, however, is that even though there might be plans to decrease the number of FTEs with successive budgets, fall updates and off-cycle announcements, they often entail additional FTEs. Even though there might be planned reductions in expenditures, they don't always materialize as the government announces new measures.

The short answer is no, we haven't costed that.

**Mr. Parm Bains:** Mr. Chair, how much time is left?

**The Chair:** You have 30 seconds.

**Mr. Parm Bains:** Those are all of the questions I have for today.

Thank you for joining us again, Mr. Giroux.

**The Chair:** Thanks, Mr. Bains.

We have Ms. Kusie, please, for five minutes.

**Mrs. Stephanie Kusie:** Thank you, Chair.

I mentioned the AG reports that came out earlier today, Mr. Giroux. One of the data points that came out was that there was no historical data and that 12% of the necessary reporting was missing.

Was this something that you encountered when you were completing your digital report?

**Mr. Yves Giroux:** We didn't look that far back in history, but we found that government departments were not keeping track of potential cost savings when moving from paper-based or other means of service to digital services. That seemed to be widespread.

We found, however, that Immigration, Refugees and Citizenship Canada had a rough estimate of moving to e-applications—electronic applications—for passports, and they found there would be savings of \$1 to \$5 per application. The savings seem low, but it's because it's only the application that will be digitized. For a good reason, there will still be heavy manual interventions in the processing and the issuance of passports, which is what one would expect from a country issuing passports.

There's not a lot of information tracking when it comes to e-services and digitization of services.

• (1625)

**Mrs. Stephanie Kusie:** Further to that, another interesting point around the AG report today on modernization was that it's been 24 years since the government recognized that there was a serious infrastructure equipment deficit and that this has been a critical issue. To this day, after eight years of this Liberal government, there is no centralized plan for modernization.

Did you encounter that when you were conducting your report? Why do you think that is? Why do you think that there is currently no centralized plan?

**Mr. Yves Giroux:** We didn't look at that specifically, but what we found was a lack or an absence of distinction between maintenance of mainframes and other IT equipment versus investments in digitization. The reasons for that... I had been providing advice to ministers before I was the Parliamentary Budget Officer, and it is always very difficult to sell to a minister that they need to invest hundreds of millions or dozens of millions, or even a million, to maintain IT equipment, because it isn't very sexy and doesn't lead to interesting announcements. That's the main reason, I would say, to be very candid.

**Mrs. Stephanie Kusie:** Yes, politicians definitely only like to talk about those things that are sensational.

**Some hon. members:** Oh, oh!

**Mrs. Stephanie Kusie:** In your report, you gave the passport example, but on page 12 of your report, continuing on the passport example, you said, “There is a considerable level of uncertainty on these potential cost savings and efficiencies as they will be dependent on whether overall costs of the passport program return to pre-pandemic levels and if the efficiencies lead to processing more passports.”

What advice would you give to IRCC to track, or to look for, these efficiencies and to measure these efficiencies?

**Mr. Yves Giroux:** Maybe they already do that, so maybe it will be very easy for them to listen to me. I would say it would be tracking the usual costs of processing a passport application and tracking the costs of the new system, the e-application, to see what the differences are and if there are any that could lead to cost savings for the government, and to see the time it takes to process both streams, which could lead to increased efficiency for citizens who require passports.

**Mrs. Stephanie Kusie:** I'll move to another element that you examined in your “Overview of the Government's Digital Service Transformation” report. In it, the CRA stated it could not publicly disclose the information that Employment and Social Development Canada freely provided. What do you think the reasoning is for that? Were there any discrepancies between the analysis of the two departments that could lead to secrecy in sharing this information or, I'd rather say, a lack of transparency?

**The Chair:** I'm afraid you're not going to have time to answer that. Would you be able to provide it in writing to us?

Mr. Kusmierczyk, please, go ahead for five minutes.

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

Mr. Giroux, thank you so much for responding so quickly to our request to appear before the committee. We know we didn't give you a huge heads-up, but I think all of us here appreciate that you always answer the call and always answer the bell. Thank you so much, sir, for being here.

If you don't mind, I want to ask you a question regarding the break-even analysis that you did for the Stellantis and VW battery plants. I hope that's okay.

In my hometown of Windsor eight years ago, under the Conservative government, my community had an 11.3% unemployment rate. I imagine if you go up and down the Highway 401, manufacturing communities like mine had unemployment rates north of 7%, 8%, 9%, 10%. They were bleak years in our community. Businesses were closed. The impact was that restaurants and businesses shuttered doors and people left the community because they had no jobs. They had no prospects. Interestingly enough, it was the Leader of the Opposition who was the minister of jobs at the time. Things were tough.

As you can imagine, the investment that this Liberal federal government has made in the Stellantis battery plant and in the Volkswagen plant is the biggest, most important investment that we've seen in the history of our community over the last 100 years. It's huge. Again, they are large sums. There's no doubt it is a big investment.

We know that the Conservatives are against this investment, much like they were against investing in working-class communities like mine back in 2015, so that's not a surprise. I'd venture a guess that if they ever had the chance, they would pull the plug on that investment, on both the VW plant and the Stellantis battery plant.

I'm not going to ask you to comment on that, but what I want you to respond to is this. You mentioned in your report that the break-even point for that major investment—and it's \$28 billion—is 20 years. It's wonderful to hear that Canadians will get a return on their investment, that this will be a net-zero cost to Canadians. These are production subsidies too, performance subsidies. The company has to perform, has to build a certain number of batteries and has to keep a certain number of jobs to get those subsidies. These are not upfront subsidies.

However, the president of the Automotive Parts Manufacturers' Association took issue with your report. He stated that it is based only on the production of cell and module battery components and that it does not include the 20-year payback window. It doesn't include revenue generated from new vehicle assembly, from manufacturing subcomponent parts, from the mining of raw materials, from recycling or from construction—the entire supply chain that will be anchored in place because of these historic battery investments in Windsor, St. Thomas, Kingston and elsewhere.

Can you respond to the president's questions or concerns with your analysis?

● (1630)

**Mr. Yves Giroux:** I certainly can. I think that's a mischaracterization of our report. We did take into account the direct, indirect and induced economic impacts of the battery plants in our report.

I think it's Mr. Volpe you're referring to. Where he takes offence or where he has concerns with our report is that the Trillium Network report—which is the basis on which the government decided to go with the five-year return on investment—also assumed that there would be a whole ecosystem that would be built, including electric vehicle assembly plants, but we have yet to see a Volkswagen assembly plant. We took out these other aspects because they have not materialized yet. In the Trillium report, they say that all of these other things would require additional subsidies, so to take a more reasonable approach, we looked at the direct, indirect and induced economic impacts of the battery plants themselves, taking into account that these would lead to spillover effects, as every major investment does.

Speaking to the soundness of our approach, the Government of Quebec and the Government of Canada—ISED—used the same methodology as we did for Volkswagen and Stellantis to assess the economic impact of the Northvolt investment that was announced a couple of weeks later.

**The Chair:** That is your time. Thank you.

We're now switching over to Ms. Vignola for two and a half minutes, please.

[Translation]

**Mrs. Julie Vignola:** Thank you very much, Mr. Chair.

I'll go back to the "Economic and Fiscal Outlook—October 2023".

In appendix C, titled "Detailed revenue outlook", I see that the personal income tax estimate for 2028-29 represents 132% of what is indicated for 2022-23. Based on the same years, the proportion is 101% for corporate income tax and 109% for non-resident income tax. I'd like to understand the huge discrepancy between those figures.

Does that mean that revenues are not necessarily keeping up with the rather significant increase in immigration or the number of permanent residents? Do you anticipate a certain stagnation in the number of companies or their revenues in the coming years?

• (1635)

**Mr. Yves Giroux:** That's a good question, and one we look at regularly.

First, non-resident income tax includes, among other things, the tax that the Canada Revenue Agency collects from entities that are not resident in Canada, but have revenue in Canada. These are not individuals. They're usually entities such as companies or trusts. So that tends to be pretty stable because, if taxes go up, their activities will move.

As far as corporate income tax is concerned, there have been a number of positive surprises over the past few years at the federal level, but also in most provinces where corporate income tax has been much higher than the models had been suggesting for a number of years. So when it comes to corporate income tax forecasts, we don't expect positive surprises all the time. That's why the forecasts are rather stable on that side.

Next, personal income tax generally tracks GDP growth quite well. This is fairly predictable, given that the base is fairly broad. These are millions of individuals, unlike corporations, where a much smaller proportion tend to be subject to tax.

This goes a long way to explaining why corporate income tax is expected to be relatively stable. It's because it has been much higher than expected in recent years, while personal income tax is expected to grow with nominal GDP growth.

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

[English]

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

Go ahead, Mr. Johns, please.

**Mr. Gord Johns:** Your report on the government's digital service transformation points out that there is "no centralized information on the total amounts that have been spent or saved on these initiatives, as the latter is generally not tracked."

We've seen from contracts—like those for ArriveCAN, for example—how difficult or pretty much impossible it is to track and tally the government's spending on digital initiatives. We're glad we have

Bill Curry from The Globe and Mail to do that work for us. We can't even track the headhunters and the middle people who are making loads of money off of these things. Now we're seeing that the savings from the digital initiatives are generally not tracked at all.

This is hugely concerning. If we aren't tracking how much is saved, how can we know if an initiative was worth it? When it comes to evaluating these projects, we're pretty much blind going in. Can you speak about what challenges or gaps arise when this information isn't available for analysis?

I'd also like to hear your thoughts on how this could be tracked and centralized, and what the benefits would be. Maybe you could speak about the economic leakages too.

**Mr. Yves Giroux:** Thank you.

When we talked to government departments about tracking the potential savings from digitizing some services, they almost unanimously pointed out that it's not just a perspective of saving money; it's to improve services.

They say that a main reason they don't track potential savings is that it's not the perspective in which they provide these services, although I would say that it's part of the equation, because there are savings if you move people away from in-person services or call centres towards e-services. A good way of doing that would probably be for the government central agencies, like the Treasury Board Secretariat, to require departments to track how much they're spending on providing a certain type of in-person or phone service versus e-services. It's not very difficult to do, in my humble opinion, although it might be challenging for some organizations that don't track their current costs.

I think any sound organization or any sound deputy head would want to know how much it costs them.

**Mr. Gord Johns:** The employees and the union would probably be a good start, and workers on the front line.

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

Go ahead, Mr. Lawrence, for five minutes. Then we'll go to Mr. Sousa.

**Mr. Philip Lawrence:** Thanks very much.

You mentioned in your opening comments the lateness of the public accounts. I know this is an area of frustration for you. You've expressed it publicly before. Could you explain to Canadians why that is an issue and why it causes challenges, not just for you but for transparency from the government in general?

• (1640)

**Mr. Yves Giroux:** It's a fact that we don't have public accounts, and today is October 19. We don't have public accounts yet, and the fiscal year of the government ended March 31. We are almost 7 months into the new fiscal year. You collectively have been asked to vote on appropriation, meaning to vote on allowing the government to get funding to function. You were asked that in March and you were asked that on a couple of occasions, but you still don't know what happened with the money you voted on 18 months ago.

It's a concern for me that collectively speaking, we don't know the outcome of the year that closed on March 31 and we're almost seven months into the next fiscal year. The International Monetary Fund says that best practices would call for public accounts to be tabled within six months of the end of a fiscal year. The Government of Canada, with all its machinery, could certainly do that if it wanted to. There might be a lack of willingness on the part of the government to do that. I don't know why. We have seen years when the AG signed off on the government's public accounts in September, but they were not able to provide them until weeks after that.

**Mr. Philip Lawrence:** Thank you for that. Indeed, if they were a public company, there would be some pretty severe consequences from their continued late reporting. You're exactly right, Mr. Giroux. We are asked to vote for something when we don't know what the results of the last version were.

Mr. Johns brought up the impact of the carbon tax. I want to read from the letter from the Governor of the Bank of Canada to the finance committee in response to my question. He said that according to the bank's calculations, if the charge were to be removed from the three main fuel components—gasoline, natural gas and fuel oil—the inflation rate would decrease by 0.4 percentage points.

That's a 10% reduction in inflation, according to Tiff Macklem, the Governor of the Bank of Canada. If this is true, which I believe it is, and the government eliminated the carbon tax, and we had a 10% reduction in inflation overnight, would that help your numbers and would that help the economy?

**The Chair:** Please give a brief summary.

**A voice:** Yes.

**Some hon. members:** Oh, oh!

**Mr. Yves Giroux:** I'll pass, but....

Sorry.

**The Chair:** Thanks.

We'll go to Mr. Sousa, please.

**Mr. Charles Sousa (Mississauga—Lakeshore, Lib.):** Thank you for your presentation and for being here today and listening to some of the questions that are coming before you.

I'm trying to get some clarity here. We talked about increasing debt. We know it's an issue. We all want to try to control it, recognizing the sensitivity around the demand and the requirements for some of the programs that are coming.

What is Canada's current GDP?

**Mr. Yves Giroux:** It's about \$2.8 trillion, on a nominal basis.

**Mr. Charles Sousa:** What was it in 2015?

**Mr. Yves Giroux:** It would have been significantly lower than that on a nominal basis.

**Mr. Charles Sousa:** Has it doubled?

**Mr. Yves Giroux:** Probably.

**Mr. Charles Sousa:** There you go.

We have a doubling of power in terms of our economic vitality as a country, and that has been growing. How does that compare with other countries with respect to our debt-to-GDP ratio?

**Mr. Yves Giroux:** Compared to G-7 countries, I think we have the lowest debt-to-GDP ratio.

**Mr. Charles Sousa:** Very good.

I know some of the opposition members try to compare what we've done in the last eight years during the pandemic, and they have been very challenging times.

Under Stephen Harper, did the debt grow?

**Mr. Yves Giroux:** I'd have to go back into the historical numbers—

**Mr. Charles Sousa:** I have the numbers. They almost doubled during that time. Even if we do these programs and these initiatives, is it debt that's the issue, or is it our ability to sustain debt, service it and grow our economy? What is more important to you?

**Mr. Yves Giroux:** That's a very good question. I think debt sustainability is a main concern.

**Mr. Charles Sousa:** I agree.

What is our credit rating, for Canada?

**Mr. Yves Giroux:** I'd verify it, but it's usually very solid.

**Mr. Charles Sousa:** And it's very good still—

**Mr. Yves Giroux:** Yes.

**Mr. Charles Sousa:** —notwithstanding some of the concerns that are being discussed that we are all concerned about.

One of the issues that we're looking at under Treasury Board is a savings of about \$15 billion going forward—not an increase, but a savings—and finding ways to become more efficient. How would that impact our debt-to-GDP ratio, given what you...? They've given you hypotheses as to increasing spending. What would happen if we actually decreased some of that spending?

• (1645)

**Mr. Yves Giroux:** Well, it depends where the spending would be decreased. It's one thing to look at savings. What is more important at the macro level is what happens with the overall spending.

**Mr. Charles Sousa:** It's important, though, for us to maintain some of those efficiencies to sustain our programs.

Debt servicing is another issue that we monitor. Back in 1995 and 2000, do you have a sense of what our debt servicing ratio was?

**Mr. Yves Giroux:** It was probably upwards of 30%.

**Mr. Charles Sousa:** That's much higher than what it is today. That's almost double, is it not?

**Mr. Yves Giroux:** Yes.

**Mr. Charles Sousa:** When we revolved our bonds—and we have quite a few of them every year that come up—what did we do in the last five or six years? What did we put those bonds at?

**Mr. Yves Giroux:** The interest rate has been anywhere between 1% to 4% or 5%, depending on the maturity.

**Mr. Charles Sousa:** We locked those in for a long period of time—if I'm not mistaken, for almost 30 years. Had we not done that, what would have happened today?

**Mr. Yves Giroux:** We'd have to refinance the debt at the current short-term rates.

**Mr. Charles Sousa:** That's a much higher rate. We took precautions.

One thing you mentioned in your proposal was the amount of prudence that's essential. Is the Government of Canada fiscally prudent? We can't manage monetary policy, but we manage the fiscal policy. Do we have prudence built in?

**Mr. Yves Giroux:** I don't think so.

**Voices:** Oh, oh!

**Mr. Charles Sousa:** You don't think we have as much as we would like.

**Voices:** Oh, oh!

**Mr. Yves Giroux:** There is not—

**The Chair:** Colleagues, I'm going to interrupt for a second. I understand we're all having a lot of fun, but please let's allow a question and an answer. I hate to sound like the Speaker, but please...

Go ahead.

**Mr. Yves Giroux:** Prudence in the sense of a reserve or a cushion has not been the government's practice. Are their forecasts reasonable or consistent with our own? Yes.

**Mr. Charles Sousa:** We have taken those precautions to ensure that we have our bases covered as we go forward.

When you look at our authorities from the other agencies, do you see a risk on the horizon over Canada's ability to sustain or be strongly rated?

**Mr. Yves Giroux:** No, there are no doubts on international markets about Canada's capacity to service its debt.

**Mr. Charles Sousa:** What is your assessment of the way the government's operating in light of those situations and the demands that are being put upon us, because of the monetary situation, general inflation in the world, supply chains, and all of the other circumstances that are affecting Canada? Are we taking precautions and reacting effectively?

**Mr. Yves Giroux:** That's a difficult question for me to answer. That would mean passing judgment on government policies and the overall direction of the government.

**Mr. Charles Sousa:** What's the inflation—

**The Chair:** That is our time.

I think we have enough people around the table who are willing to pass judgment, one way or the other.

We're short of time, colleagues. For the final round we're going to go with three and a half minutes and three and a half minutes. Then it's one and a half minutes and one and a half minutes. Please watch your clocks carefully so that we can get in the full time. Thanks very much.

Mr. Genuis.

**Mr. Garnett Genuis:** Thank you, Mr. Chair.

I haven't had a chance to welcome Kathleen Wynne's former minister of finance to the House of Commons. I want to congratulate him on joining us. He shared with us his deep concern for fiscal responsibility. He just asked to balance the books. Stephen Harper balanced the books. He's concerned about fiscal responsibility—he wants us to believe. I can only say that if Kathleen Wynne's finance minister is the voice of fiscal responsibility in the Liberal caucus, then we have even bigger problems than I thought we did.

We heard previously that Canada is going to spend \$46.4 billion this year on debt servicing. That's not new spending. That's not new debt. That is just taxpayers' money that we have to spend to maintain the debt we already have. That's in a context where the current Prime Minister, Justin Trudeau, has more than doubled the national debt.

To the Parliamentary Budget Officer, how does that \$46.4-billion figure compare to the total amount that the federal government transfers to the provinces for health care?

**Mr. Yves Giroux:** It's slightly lower than the Canada health transfer, which this year is expected to be \$49.4 billion.

**Mr. Garnett Genuis:** Okay, so it's \$46.4 billion to \$49.4 billion. With about a \$3-billion difference, we transfer about the same amount of money to the provinces for health care as this government spends on servicing the debt.

Hypothetically, if we didn't have debt in this country, we could actually double the transfers we're sending to provinces. If we didn't have the debt that was accumulated under this government, we could increase the amount of health care transfers to provinces by 40% or 50%. That's the real-world impact of the out-of-control debt and out-of-control increases in costs associated with debt servicing that have come under this government.

We heard from this government in the past. They said not to worry about the cost of servicing debt. They said the cost is low because interest rates are low. They failed to consider the fact that interest rates, of course, go up.

Could you confirm, sir, that we've seen significant increases in the costs of debt servicing as a result of the increase in the interest rates?

• (1650)

**Mr. Yves Giroux:** Yes, that's an important factor.

**Mr. Garnett Genuis:** Okay. In comparison to last year, you said previously that there's been an increase of over \$10 billion in debt servicing costs in total as a result of the increase in the interest rate.

**Mr. Yves Giroux:** It's the interest rate, but it's also an increase in the debt stock.

**Mr. Garnett Genuis:** Right. The government is increasing spending and increasing debt. That's driving inflation, which is increasing costs for consumers. That's leading to increases in the interest rates because of rate hikes that are responding to that, and that is further leading to an increase in the debt servicing cost.

Is this a kind of snowball effect that we're seeing as the government spending is driving an increase in various indicators that are all impacting the costs that Canadians have to bear?

**Mr. Yves Giroux:** It's one factor that contributes to increasing interest rates and inflation, but it's obviously not the only one.

**Mr. Garnett Genuis:** Thank you very much.

**The Chair:** Thanks very much.

Mr. Kusmierczyk, are you splitting your three and a half minutes with Ms. Atwin? Yes.

Go ahead, please.

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

I'm really fascinated by the selective memory of my colleague here across the way. Can you remind the folks around the table of what happened, Mr. Giroux, globally, let's say, starting in March of 2020, that affected every country around the world? Was there an event that had an impact on spending?

**Mr. Yves Giroux:** I came back from March break.

No, seriously, there was COVID.

**Mr. Irek Kusmierczyk:** Obviously COVID required a strong, robust response to protect Canadians and businesses. How much of that spending was due to protecting Canadians during COVID?

**Mr. Yves Giroux:** Over time, we've estimated that over \$300 billion was spent by the federal government to provide income support to individuals and corporations and to procure vaccines.

**Mr. Irek Kusmierczyk:** Mr. Giroux, if the Conservatives had had their way, if there had been no wage subsidy program, would fewer or more businesses have closed without the wage subsidy program?

**Mr. Garnett Genuis:** On a point of order, Chair, would it be appropriate to point out at this time that Mr. Kusmierczyk is completely inaccurate in his statement regarding our position on a wage subsidy?

**The Chair:** That's not a point of order.

Mr. Kusmierczyk, you're at 1:12.

Could we please get through these final few minutes, colleagues?

Mr. Johns is admirably quiet today.

**Some hon. members:** Oh, oh!

**The Chair:** Mr. Kusmierczyk, you're at a minute and 12 seconds, so you have two minutes and 28 seconds.

**Mr. Irek Kusmierczyk:** Mr. Giroux, if the Conservatives had had their way and cut supports for businesses during COVID, would there be more or fewer businesses operating today?

**Mr. Yves Giroux:** Assuming that there would have been no support for businesses, I think it's fair to say that there would have been quite a few more businesses going out of business in 2020 and 2021.

**Mr. Irek Kusmierczyk:** Thank you, Mr. Giroux.

Had the Liberal government not responded robustly with PPE and the vaccine program, had we not taken it upon ourselves to fund that program and had the Conservatives had their way, without more vaccines and more PPE, would more or fewer Canadians have died?

**Mr. Yves Giroux:** I'm not a public health expert, but based on what we've heard over the last three and a half years, without PPE and vaccines, I think it's again safe to assume that there would have been more deaths in the Canadian population.

**Mr. Irek Kusmierczyk:** Again, one of the big programs we provided was the CERB program, which helped a lot of Canadians through the worst times and provided them with funding on a month-to-month basis.

Without the CERB funding, would more or fewer Canadians be homeless right now?

**Mr. Yves Giroux:** I can't determine whether more Canadians would be homeless, but without CERB, there would have been a lot of people going without income for periods of time when the country was under lockdown and businesses were ordered to close. Not everybody was eligible for EI, and some would have been eligible for EI at a lower replacement rate than what the CERB provided, so yes, there would certainly have been a significantly higher level of financial distress in 2020.



• (1655)

**Mr. Irek Kusmierczyk:** Is it fair to say that the Canadian federal government spending was in line with how other federal governments around the world spent money as well, in terms of a percentage of their GDP? It was in line with what other countries spent on the COVID response. Is that correct?

**Mr. Yves Giroux:** It varies—

**Mr. Irek Kusmierczyk:** Generally.

**Mr. Yves Giroux:** Generally speaking, some countries were spending more and some were spending less, so Canada, from what I recall, was not an outlier.

**Mr. Irek Kusmierczyk:** Is it fair to say that with this government's spending we saved Canadians' lives, we protected jobs, and we protected people's financial positioning?

**Mr. Yves Giroux:** I think it is fair to say that government interventions contributed to all three objectives you mentioned.

**Mr. Irek Kusmierczyk:** Thank you very much, Mr. Giroux. I'll yield my time to my colleague.

Thank you.

**The Chair:** You have no time.

Ms. Vignola, we'll go to you for a minute and 30 seconds, please.

[*Translation*]

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

My question is intended to give our viewers a better understanding of the subject.

Could you tell us what has the biggest impact on a government's financial results? Is it rising GDP? Is it alternating episodes of full employment and recession? Is it the colour of a government in general? Is it programs or cuts?

**Mr. Yves Giroux:** It's difficult to determine which of those factors has the biggest impact, but, in general, GDP growth and productivity growth are the two elements that have the greatest impact on a government's fiscal health—or lack thereof.

Nominal GDP is the tax base. That's what defines it best. Therefore, a rising nominal GDP is generally the best indicator of a government's ability to fund services.

**Mrs. Julie Vignola:** Does this have anything to do with the colour of the government?

**Mr. Yves Giroux:** Government policies may or may not have an impact on GDP growth, depending on the policies implemented. For example, a very protectionist government policy could have the effect of reducing GDP. That said, unless the policies are particularly different, a government's impact, while significant, is not fundamental. In the long term, it's possible, but it's not the most important determinant. GDP is.

[*English*]

**The Chair:** Mr. Johns, you have a minute and a half, please.

**Mr. Gord Johns:** Thank you.

I'm going to go back to the carbon tax.

I've heard from my Conservative colleague, who said that removing the carbon tax would mean a 0.4% difference in inflation. Right now it's 0.15%, so it's 15¢ on a \$100 bag of groceries. I outlined that corporate greed is about \$3.90, and the profits from oil and gas are much higher than the carbon tax.

Can you help my Conservative colleagues understand, if they remove the carbon tax, what that would look like in terms of the overall cost to the Canadian economy if we had a border carbon adjustment or if everybody shouldered the cost of the carbon tax? I understand that eight in 10 Canadian families get it back. For the two in 10 who don't, we know those are who they are actually fighting for.

Perhaps you can explain it to them so that they understand it.

**Mr. Yves Giroux:** You're asking a difficult question of me.

If we were to take the numbers you're quoting and if we were to take that carbon tax away, it would result in a 0.15% reduction in inflation. That would mean inflation would go from 3.8% to 3.65%. That's the impact it would have, using your numbers versus 0.4%, which would mean inflation would go from 3.8% to 3.4%. That would be the impact, again using the numbers that you quoted.

**Mr. Gord Johns:** Okay.

**The Chair:** I'm afraid that's your time.

Mr. Giroux, we are going to allow you to leave relatively unscathed.

Before you run, Mr. Giroux, I'm going to exercise the chair's prerogative and ask a couple of quick questions.

Do you agree that OGGO is the only committee that matters, and in the future will you place us ahead of INDU when there's an invitation?

• (1700)

**Mr. Yves Giroux:** I agree. It's also the best leadership.

**The Chair:** Mr. Giroux, thanks very much. As always, it is a pleasure.

Colleagues, we're suspended for a moment and we're resuming in camera.

[*Proceedings continue in camera*]





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