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## **Standing Committee on Finance**

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**EVIDENCE**

**Wednesday, November 2, 2016**

**Chair**

**The Honourable Wayne Easter**



## Standing Committee on Finance

Wednesday, November 2, 2016

• (1300)

[English]

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

This is pursuant to Standing Order 108(2), a study of the fall economic statement for 2016, which I think all of us in this room heard in the House yesterday. I understand, Minister, you'll likely have a short statement, and then we'll go to questions.

I want to remind people that we have to be out of here absolutely at two o'clock. We need to get to question period, and especially the Minister needs to get to question period.

Mr. Morneau, the floor is yours.

**Hon. Bill Morneau (Minister of Finance):** I want to thank you, and in light of the fact that we need to get out of here by 2 o'clock, I've kept my remarks to 58 minutes.

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

**Hon. Bill Morneau:** Thank you, Mr. Chair. It's a pleasure for me to address this committee.

Yesterday in the House of Commons I introduced the fall economic statement for 2016. It builds on the initial steps taken in Budget 2016 to create long-term economic growth by strengthening and growing the middle class. After all, when we take steps to grow the middle class, it benefits everyone. Consumer demand becomes stronger and businesses can invest with confidence, creating more jobs.

With more and better-paying jobs comes more opportunity. There's more left over each month for Canadians to save for the kids' education, plan for a dignified retirement, and feel more secure about their futures. Best of all, it makes the whole economy stronger, more resilient, and far more able to transform into the economy of the future.

I'm happy to report that we've made some pretty incredible progress so far.

[Translation]

Over the last year alone, we have implemented a tax cut for the middle class, which we have helped to finance by raising taxes on the wealthiest 1%.

We have brought in a simplified, tax-free and more generous Canada Child Benefit. Nine out of ten Canadian families now receive more benefits for their children than they did a year ago,

which helps raise hundreds of thousands of Canadian children out of poverty.

We have kept our promise to help Canadians enjoy a secure retirement by strengthening the Canada Pension Plan. We have started to make historic investments in public transportation, green infrastructure and social infrastructure. These investments are helping to create well-paid jobs today while strengthening Canada's future economy.

In addition, we have made it easier for our young people to access university or college by increasing Canadian scholarships and by helping new graduates to transition into the job market. This gives them more breathing room before they have to start repaying their Canadian student loans.

[English]

Now it's time to take the next steps in our plan to strengthen the middle class and grow the economy. Since the last budget, private sector forecasters have on average revised down their outlook for real gross domestic product growth in Canada. For 2016 as a whole, private sector economists now expect real GDP growth of 1.2%, lower than the 1.4% forecast in Budget 2016. This is set against a backdrop of slow growth around the world due to factors such as slower-than-expected growth in the United States and the uncertainty surrounding the U.K.'s Brexit vote.

Now more than ever, we need investments that bring sustained and shared growth. Though we intend to use our fiscal capacity to meet that objective, we will do so responsibly so that we can maintain our low-debt advantage.

Our fall economic statement reflects our understanding that we must make the right investments today to deliver a brighter and more prosperous future for Canadians. That's just what confident and ambitious countries do.

Yesterday I announced that we're building on our first phase of infrastructure funding by proposing an additional \$81 billion, bringing total federal investments in Canada's communities to more than \$180 billion over 11 years. This is unprecedented in Canada's history.

We'll also establish a new Canada infrastructure bank to provide innovative financing for these future projects. The Canada infrastructure bank will be responsible for investing at least \$35 billion in large infrastructure projects, projects that might otherwise not get done. The projects funded from this bank will create thousands of jobs and attract as much as \$4 to \$5 in private capital for every tax dollar invested.

To prosper in the future, we also need to hone Canada's competitive edge. For a hundred years, Canada's been a trading nation, but the world we know has become more competitive, so we have to work a little harder to make sure we remain a global player that can meet the demands of tomorrow.

● (1305)

Therefore, it's time for us to make clear to the world that Canada is here to play. In fact, we're here to lead. We're going to allocate \$218 million over five years for a new invest-in-Canada hub and hire more trade commissioners abroad to make Canada top of mind for foreign investors. This hub will be up and running by the end of 2017. It will operate globally and in co-operation with federal, provincial, and municipal partners, and while we're out there promoting Canada, we'll also take steps to make sure our legislative framework accommodates investment, making it clear to both Canadians and to potential investors just how we can work together to create jobs and opportunities for everyone.

Finally, we'll keep investing in people, helping firms grow so they can create more good Canadian jobs. Our global talent strategy will do just that. We'll help innovative Canadian firms to scale up and grow by attracting global knowledge workers with specialized in-demand skills.

We'll remove barriers so that top global talent can fill temporary positions here in Canada, helping them grow and giving our workers access to international expertise. I know members of this committee will appreciate that our fall economic statement also contains measures to provide greater accountability for government spending, to put an end to secrecy at the Board of Internal Economy, and to ensure the independence of Statistics Canada and the parliamentary budget officer.

I also want to reiterate what I said in the House yesterday and thank members of the committee for the work you're doing on pre-budget consultations and for your service to Canadians. I look forward to continuing our work with all of you towards a strong middle class and a better tomorrow.

[Translation]

In conclusion, I would say that one year ago, Canadians asked for real change.

Over the next year, I will continue to promote our economic vision and perfect our plan to help Canadians in a way that represents their perspectives and hopes for the future. I am looking forward to reporting our results to all Canadians when we table Budget 2017 and present the next steps of our plan to help the middle class move forward.

Thank you.

[English]

**The Chair:** Thank you very much, Minister Morneau, and welcome, Deputy Rochon.

We'll now go to questions, starting with Mr. MacKinnon.

[Translation]

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

Minister, Deputy Minister, I would like to thank you for being here today. I would also like to welcome you once again to the Standing Committee on Finance.

During our pre-budget consultations over the last few weeks, we heard from the Governor of the Bank of Canada, the CEO of the Canada Pension Plan Investment Board, and the Parliamentary Budget Officer, as well as yourself. It is clear that the OECD economies are sluggish and that it is difficult to stimulate growth.

Mr. Minister, under the circumstances, I am glad that you have decided to take such bold measures. You have opted to invest in infrastructure, both with our provincial and municipal partners and with this new tool to fund infrastructure projects, the Canadian Infrastructure Bank. I would like to commend you on this open-minded choice. The current situation is not a conventional one and such measures are necessary.

Could you tell us more about this decision to focus on infrastructure as a way to spur growth. Why do you choose infrastructure out of all the potential options? At this point in time, in Canada, why is this the best way to increase the rate of growth?

● (1310)

**Hon. Bill Morneau:** Thank you for the question.

I would like to start by saying that you are right. Our economic situation is indeed more difficult because of the global situation and the weak growth of the American economy. That's why we need to make significant investments for Canada and Canadians.

Yesterday, we presented our long-term program. However, in our 2016 budget, we have already taken our first step toward helping Canadian families. That step was very important. Given their concerns, middle-class Canadians need to understand how growth will be positive for their families. That is why we decided to lower taxes on the middle class and create the Canada Child Benefit. In that way, people will be able to imagine a better future for their families than has been possible over the last ten years.

With regard to our long-term plan, we now know that it is very important to invest in our future. Canada has a good record thanks to initiatives that were taken during the 1990s and the very early 2000s. Our situation allows us to invest precisely because our debt to GDP ratio is lower than the other G7 countries. That is where our country is now. We know that investing in infrastructure is the best way to increase the economic impacts. These types of investments will create immediate growth and also make the economy more productive in the future.

That is why we have chosen, both now and in the future, to invest significantly in infrastructure. Moreover, we have decided to broaden the scope of our efforts by setting up a national infrastructure bank. The bank will allow pension funds and institutional investors to work with us to improve Canada's outlook for the future.

[English]

**The Chair:** Please be very quick.

[Translation]

**Mr. Steven MacKinnon:** In response to your speech, yesterday we witnessed expressions of orthodoxy from our friends on the other side of the House. Some of them insist upon a balanced budget and have raised the possibility of tax increases.

Yet you have just told us about lower taxes for the middle class. At this time, are taxes going up?

**Hon. Bill Morneau:** As I stated yesterday, it is important for us to lower taxes for the middle class. We have decided that their circumstances must be improved. It is true that we have changed the tax rate for the wealthiest among us. We did add a taxation level for the top 1%, but, at the same time, we reduced taxes for nine million Canadians. On average, that means a person living alone this year will have \$330 more in their pocket. That amount will be \$540 for families. In short, we did make some tax changes; we lowered them. That was an important step for Canadian families.

• (1315)

[English]

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

We'll turn to the official opposition and Mr. Deltell.

**Mr. Gérard Deltell (Louis-Saint-Laurent, CPC):** Thank you, Mr. Chair, and Mr. Minister, I'm very honoured to see you here.

[Translation]

I would also like to welcome the deputy minister.

Mr. Minister, let me begin by congratulating you for your effort to speak French. If you wish, we can continue this discussion in the language.

Since I do not have much time, I'm going to ask you a few short questions. I would ask that your answers be short as well. Will you agree to provide short answers to short questions?

**Hon. Bill Morneau:** We shall see. It will depend on the context.

**Mr. Gérard Deltell:** I know someone else who once said, "We shall see", but that is another story.

Mr. Minister, when do you expect to reach a zero deficit?

**Hon. Bill Morneau:** Our decision really is to invest in Canada. These investments will help Canadian families. That is our priority. We have decided that it is very important to be fiscally prudent. That is why we have explained to Canadians how important the debt to GDP ratio is, and that it will decrease over the course of our mandate.

**Mr. Gérard Deltell:** With respect to a return to a zero deficit, yesterday, the Chamber of Commerce of Metropolitan Montreal stated that it was a test of Canada's credibility.

So I will repeat the question. On which date and in which year do you expect to return to a balanced budget?

**Hon. Bill Morneau:** Could you tell me precisely what the desirable debt to GDP ratio is, in your opinion? Currently, we have the lowest ratio among the G7 countries.

**Mr. Gérard Deltell:** Minister—

**Hon. Bill Morneau:** We understand how important it is to be fiscally prudent, and our program calls for that. At the same time, we will be making investments to help our economy. All over the world, people feel that our program is truly the best one to improve our current circumstances.

**Mr. Gérard Deltell:** Those are not—

**Hon. Bill Morneau:** That is why Christine Lagarde, Managing Director of the International Monetary Fund, said the following:

[English]

she hopes that our programs go viral around the world because she recognizes that's what's needed in a time of low economic growth.

[Translation]

**Mr. Gérard Deltell:** I would like to remind you that neither Ms. Lagarde, nor any foreign citizens at all, will have to pay off the debt you plan to impose upon Canadians.

There is another reality to consider when you talk about the debt to GDP ratio. In that respect, I thank you for your tribute to the Conservative Government's legacy in leaving you a house in order.

I will ask you the question once again. In precisely which year do you expect to return to a balanced budget? This is the third time I am asking the question. We want you to give us a date.

[English]

**Hon. Bill Morneau:** Perhaps I can say in English as well as in French that we have every expectation that our program will, in fact, be the right program for Canada. We're investing in our economy. We're being fiscally prudent as we do that. We will ensure that our level of debt to GDP declines during the term of our mandate.

We know that Canadians voted for us because they want to see a higher level of growth in the future than they saw over the last decade, and that's what we're working to engineer. We're working to make a better Canada for middle-class Canadians and those who want to see a better future for their children.

**Mr. Gérard Deltell:** Mr. Minister, with all my respect, Canadians voted for you on behalf of a program. In your program, you talked about a small deficit of \$10 billion for a few years, and in the fourth year getting back to zero deficit. I'm asking for the fourth time the same question, in French or in English, whatever you want: what is the date you propose to have an equilibrium, a deficit of zero? What is the date?

**Hon. Bill Morneau:** Well, what I'll say again is fiscal prudence is important. With a particularly good balance sheet, we should be doing what we need to do for the future of Canada and for all of our children to make sure we actually have an economy that grows, provides jobs, and provides opportunities. That's what we're focused on. We're going to do that in a fiscally responsible way by continuing to grow the economy and continuing to reduce the level of debt to GDP over time.

[Translation]

**Mr. Gérard Deltell:** Mr. Chair, Canadians can see that, despite several attempts on my part to get that information, the Minister of Finance has absolutely no idea who could tell us when to expect a return to balanced budgets.

Yet, just before the election, this party promised a return to balanced budgets within three years, which will not be the case.

How do you feel about having betrayed the public's trust on this issue?

**Hon. Bill Morneau:** Canadians want a better situation than the one they have now. Luckily, they understand that the investments in infrastructure we are making now and in the future are very important. That is our plan to improve our situation.

At the same time, we can be sure that families will be in a better situation thanks to the changes that we have made, especially the tax cuts and the Canada Child Benefit. This is a plan that will work for the middle class and for Canadian families all across the country.

• (1320)

[English]

**The Chair:** Thank you both.

Go ahead, Mr. Caron.

[Translation]

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

Minister and deputy minister, welcome.

[English]

I'll start in English. I asked you a question yesterday in the House about where in the Liberal program the commitment was to actually either privatize public assets, privatize the flow of revenue streams of those public assets, or reinvest in infrastructure through tolls and user fees.

Before you answer, I'd like to review what Paul Wells actually wrote today in the *Toronto Star*:

The money, if it comes, will help pay for very large infrastructure projects from which investors will expect to generate enough returns to justify their investments.... What sort of returns? Whatever the ingenuity of developers can concoct. Hydro rates and water meter rates, if that's what's getting built. Real estate development along routes rendered more attractive because the roads and rails will be getting a boost. And, yes, road tolls, like on Hwy. 407....

I'd like to understand where in the Liberal platform was the commitment to privatize the assets or the revenue streams or to impose user fees or tolls, because that's what's called a return on investment. Why was it not mentioned during the campaign?

Canadians voted for small deficits to invest in public infrastructure, and right now they're getting larger deficits to pay for the privatization of what they have paid for all these years.

**Hon. Bill Morneau:** Thank you for the question. It does allow me to amplify a bit on the remarks that I can make in the House of Commons.

Canadians made a choice that I think was a positive, confident choice a year ago. They decided that rather than focusing on balanced budgets, they would elect a government that was going to make investments in the future of our country. We were quite clear during the course of our election campaign that we expected we would be making significant infrastructure investments. The goal of those investments was also clearly enunciated. We wanted to ensure that we could provide long-term good-paying jobs through those infrastructure investments, and a more productive economy over the long term.

**Mr. Guy Caron:** Minister, this isn't answering the question. I do have—

**Hon. Bill Morneau:** I am getting to the answer.

**Mr. Guy Caron:** I have a very short time. I have five minutes, and I asked you a question: Where was it in the Liberal platform—

**The Chair:** He has time equivalent to the question, so he does have about 30 seconds left to finish his answer.

**Hon. Bill Morneau:** What we did was lay out a program of infrastructure investment, and we've said that the way we can do even more, the way we can transform our economy and our infrastructure in a better way, is by finding a way, for those projects that make sense, to invite pension funds and institutional investors to be part of that investment. We know that will have a bigger, more important impact on our country over the long term. It will be better for all of our children and the next generation, and that's what we intend on doing: finding those transformational projects that will make a real difference over time.

**Mr. Guy Caron:** You see, it's a question of language right now.

[Translation]

Let's have a reasonable discussion on the privatization of public assets. We are opposed. In general, the Conservatives are in favour. As for the Liberals, we did not know their position and it was not made clear, especially during the election campaign.

[English]

If the Liberals had been honest during the campaign and had said, "We can only reinvest in public infrastructure through tolls, through user fees, and through privatization of those assets", then people might have chosen something different, but that's not what they heard. They heard that there will be deficits so that the government can invest and renew the infrastructure.

Minister, once again I'm asking you, where was there any mention of privatization, user fees, and tolls?

One more thing I notice is that since then we haven't really heard those words. We hear about "asset recycling", or "asset revitalization", or the new expression now, which is "a flywheel of institutional capital participation". Every economist, everybody who is in the know, understands that those are buzzwords for privatization, for user fees, and for tolls, starting with Andrew Coyne and going with Mr. Steven Gordon, who was saying the same thing.

Once again, where was this commitment to privatize, to stream assets, or to impose tolls and fees?

• (1325)

**Hon. Bill Morneau:** I appreciate the question, and I can only reiterate that we made a commitment to making investments in infrastructure. We believe that's an important commitment for Canadians. We recognize that a way to get more done is through working together with partners, and to the extent that there are pension funds that seek to be involved in infrastructure funding, we can do more because we have access to outside capital that will create more Canadian jobs, and that will create better long-term infrastructure. That's positive, so we're going to seek ways to do that.

Capitalization of the Canada infrastructure bank is significant. It's \$35 billion. We expect that we will be able to find projects on which we can work together, without the consideration of government assets. That's the situation we expect to move forward on, and what we will see over the course of the coming years is a significant opportunity for us to have a more important impact on our economy, more jobs for Canadians, and in the long term, a better situation for our infrastructure.

**The Chair:** Thank you both.

Mr. Sorbara is next.

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

Welcome this afternoon, Minister.

Our platform last year called for a number of investments in infrastructure. I like to look at it as a plan to invest in Canada and Canadians, to lay a foundation for sustained and more inclusive economic growth.

Frankly, it's a plan to create jobs and to make sure that there's a brighter future for my daughters, Eliana and Natalia, who are in kindergarten right now.

Minister, I would like to ask two questions.

The first is on the innovation hub. Our ability to compete in the world market is based on our ability to attract the best and the brightest, and I think the innovation hub goes a long way. It's a big first step. I would also like you to comment on our changes in terms of allowing foreigners, non-Canadians, to come work in our country on an easier basis.

I will do my second question in a package. Recently the Governor of the Bank of Canada, past governors, and past recent fed chairs all commented on the need to invest in infrastructure. Our plan, in my humble opinion, is a plan for the near term and, most importantly, a plan for the long term, something that was frankly lacking in the previous government.

Recently Mr. Poloz commented on our fiscal capacity, saying that we have a large degree of fiscal capacity to invest to create an infrastructure that allows for a higher sustained growth trajectory.

Those are my two questions, and I would like to hear your words.

Thank you.

**Hon. Bill Morneau:** I'll start by talking about the first part of your question in terms of the measures we're moving forward on.

We see that we have a very successful country, one with a very strong foundation, with an educated workforce, with a diversity that works in this country. We recognize that we are an attractive investment destination for companies from around the world.

We've seen success so far this year. We saw Thomson Reuters move their headquarters here. We saw General Motors, General Electric, and Microsoft make investments here this year.

We know we can do better. We know that the ability to go out and attract investment to Canada is critically important for creating Canadian jobs. We know that putting in place a systematic effort to ensure coordination at the federal, provincial, and municipal levels to ensure the biggest impact is critically important.

That's why we've decided to invest in an agency that will have an impact in this regard. We think it can have an important impact on jobs and on our economy here.

One of the other things that helps in that confidence for those firms as they think about coming here is the global skills strategy we have laid out. When we have gone out to talk to Canadian firms in the innovative sector and to international firms that are thinking about coming here, they have said that having the key talent is critically important for them. For them to have the one worker who brings a certain skill set that might help them to make more investments in Canada and create that many more jobs here can be critically important.

We've decided that we're going to help to make sure they can do that quickly with a guarantee that we can get workers here within 14 days. With regard to temporary stay workers who can make a difference in their efforts, they will be able to bring them in quickly for short stays. These are things that will make a real difference for businesses. These are critically important, and will help our economy to grow and create jobs.

The remarks of so many intervenors around the world on infrastructure are consistent with our plans. We know that especially in Canada, with the fiscal situation we have, we have the capacity to make those investments. That's why we've embarked on infrastructure spending. That's why Canadians decided that the plan around investment was much better than the other offer, which was around austerity. We know we have the capacity to make investments that can make a real difference. I think all of us will be pleased when we see a more productive economy down the road than what we have today.

• (1330)

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

**The Chair:** Go ahead, Mr. Albas.

**Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC):** Thank you, Mr. Chair.

I appreciate your being here today, Mr. Minister.

First of all, you said some very kind remarks about the committee, particularly around pre-budget consultations. Thank you.

Do you take the recommendations from this committee quite seriously when you're putting together your budget?

**Hon. Bill Morneau:** I take the considerations from all sources seriously. We are very legitimately out to listen to Canadians. We know this committee is an important source of information in not only your own opinions, but the opinions that filter through you, so we are absolutely considering all Canadians' points of view.

**Mr. Dan Albas:** Okay. Just again, we are elected to be representatives of the people, so I hope that you would consider us not to be the same as any other equivalent stakeholder, because we've done a lot of work. We're legislated by the House to do that work for you, so I hope that you would take those recommendations seriously.

Do you think that parliamentarians can do a good job and present good cases that you can consider for your budget?

**Hon. Bill Morneau:** Again, I'll respond. I take very seriously my time here with this committee. I think it's important to hear the views of the members of this committee. I recognize that you get people to come here to present their views, so you're representing not only your own views but the views of people who come to present to you. I recognize that all of you go back to your constituencies, just as I do, and hear from people.

**Mr. Dan Albas:** Mr. Minister, if we do a report here, do you find that valuable or not, yes or no?

**Hon. Bill Morneau:** Again, my comments are going to continue to be the same. I'm going to respect the work of this committee. It's going to form an important part of our deliberations.

**Mr. Dan Albas:** I was hoping you would have just said "yes", because that's showing respect for the people who elected us and also for the chamber that has given us this function.

I'm going to move on, though.

We had the president of Canada Pension Plan Investment Board the other day, and he said that they have all the tools they need already to invest in infrastructure in Canada. Why do you think you need an infrastructure bank?

**Hon. Bill Morneau:** Are you happy for me to take longer than one second of my response? It's a big question.

**Mr. Dan Albas:** I'd just like a response in hopefully enough time that I can have a few more questions afterward.

**Hon. Bill Morneau:** Let me tell you what they need, because we've gone around the world to talk to pension funds. We've spoken to the folks at the Canada Pension Plan Investment Board and we've spoken to other Canadian pension funds. They've told us they need a number of things. They need to have a pipeline of projects. They need to work with an organization that can give them a pipeline of projects, so they can see the long-term kind of investments they can make.

They've told us that they need a group of people in an institution who can contract with them so that they can actually have the ability to figure out how to have a long-term investment that makes sense.

**Mr. Dan Albas:** So—

**Hon. Bill Morneau:** They've told us that they need an agency that can help them to work with government that will be separated from government so that it will reduce their political risk over the long term.

**Mr. Dan Albas:** Sure, so what we—

**Hon. Bill Morneau:** They've told us as well that they need large projects, projects that the federal government can work on together with the provinces and municipalities.

**Mr. Dan Albas:** Sure. Minister—

**Hon. Bill Morneau:** There are multiple reasons that we've decided we need to create an institution that can bring those things to bear on behalf of the Canada Pension Plan Investment Board and other pension funds that will see opportunities to make a real difference together with us in infrastructure.

**The Chair:** Okay. I'll give you a little more time, Dan. Don't worry.

**Mr. Dan Albas:** Thank you. I appreciate that.

We have PPP Canada. Its function is at arm's length. It's there to help put together public-private partnerships. Why would you need to put together something that will take five-plus years to get the governance on, conveniently outside of your mandate? Why do we need more bureaucracy to address something, infrastructure, that previous years haven't shown can be done quickly?

• (1335)

**Hon. Bill Morneau:** We recognize that in order to get at big transformational projects that can allow us to partner with pension funds and institutional investors, we need to think about what those organizations need. What they need is not what we currently have. What they need is an institution that's arm's length from government, that develops a pipeline of projects and has the expertise within it to develop the contracting skills and the capacity to co-invest with those investors so that they can diminish their political risk as they go about doing this.

It is an idea that is going to have significant impact here in Canada. I expect it will be an idea that will be considered in other countries as they think about how to have the biggest impact on their infrastructure needs.

**Mr. Dan Albas:** What will the infrastructure bank do differently than PPP Canada is already doing right now?

**Hon. Bill Morneau:** All of the things I just identified for you.

**The Chair:** Do you have a quick supplementary?

**Mr. Dan Albas:** Yes. We heard from the pension plan, and I've also spoken in the last Parliament to the public service. They believe that growth opportunities, in the pensioner's best interests, should diversify outside the Canadian economy. Even Mr. Barton, when he came to this committee, agreed that Canadian pension funds are looking to invest outside of Canada for those reasons. He also mentioned the importance of being at arm's length for their governance structure and the importance of non-political interference. You said you've already spoken to them—

**The Chair:** Do you have a question yet?

**Mr. Dan Albas:** Can you commit, Mr. Minister, that you will not try to politically influence them or constrain them in a way that may put pensioners' investment monies at risk?

**The Chair:** Minister?

**Hon. Bill Morneau:** Yes.

**The Chair:** Ms. O'Connell is next.

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

I have a couple of questions in particular, so I want to get right to them.

With all due respect, some of my colleagues have suggested during pre-budget consultations that such things as social and green infrastructure don't grow the economy as much as building roads or bridges does. I personally disagree with this. In some instances, social infrastructure such as secure housing can actually have twofold benefits. There's not only the construction of the housing, but we know that secure housing can actually add to secure employment in a lot of instances.

We have also been hearing a lot about an aging workforce, but we also know we haven't a good enough representation of women, as well as indigenous communities, in the workforce. As examples of investments in social infrastructure, I mention housing, or child care spaces, or frankly, clean water in indigenous communities.

Can you perhaps elaborate and speak further to the connection between social infrastructure investments not only being the moral thing, but also growing the economy?

**Hon. Bill Morneau:** Thank you.

In identifying our infrastructure plans, we have been very clear to recognize the need for different kinds of infrastructure in order for us to be successful. We talked yesterday about our need to make significant investments in transit systems, in transportation, because we recognize that's very important for trade. It's important for people to get to and from work. We made some significant investments in trade corridors because we know that, in particular for businesses, it's critically important to get that infrastructure so they can be effective.

Those are the things that people might quickly jump to when they think about infrastructure, but your point is a valid one. I think back to when I was chairman at St. Michael's Hospital, and the doctors there would always tell me that when we think about health care, we need to think about housing first. It's fundamental to our economy that we have the capacity to provide housing for people so that they can be effective participants in our workforce, so that they can

actually share in the benefits that we're trying to create through our growth efforts.

Social infrastructure, building housing, can be a very important foundation from which we can be successful as an economy. That's one of the key reasons we've put a significant amount of infrastructure money into that area. We believe that creating housing can actually be a generator of immediate economic growth in terms of jobs, as well as long-term economic stability.

Concerning the green infrastructure, I think all of us know that life would not be quite as good if we didn't have waste water systems that worked, so as we have impacts from climate change, which are really happening across our country, we need to think about how we respond to those. Having the infrastructure that can enable us to be successful there is critically important. We will continue to think about all forms of infrastructure as critically important to us as we build an economy that will work for today and for generations to come.

● (1340)

**Ms. Jennifer O'Connell:** Concerning my second question, I would be doing a disservice to my past life as a municipal councillor for 10 years—and I apologize, because my colleagues have probably heard that quite a bit—if I didn't mention that I've already seen that FCM, the Federation of Canadian Municipalities, is very excited about the infrastructure bank. I know my first question when I go back home or see any of my former council colleagues will be on how they can access these funds, what the timeline is, and specifically, whether there will be a piece that is really focused on green investment and renewables. I know in my municipality, when I was on council, in deciding between fixing a bridge that is absolutely critical and reaching end of life versus retrofitting your snowplow fleet, it's a nice thing to do but you might not be able to afford it.

Is there going to be a focus on those projects that will help us in the changing world? In terms of climate change and adaptation, will there be specific funding to help municipalities if they're the ones accessing this money to focus on projects such as that, which might not have been the top priority in all the things that municipalities have to deliver?

**Hon. Bill Morneau:** It's a good question. I think the best way to answer it is to point out that our infrastructure plan is a significant plan. It's a plan that includes a significant amount of funding in the buckets that I talked about in the last response. It also includes the Canada infrastructure bank where \$15 billion of the funding will be, and where \$20 billion of repayable capital will be as well.

There will be some projects that will absolutely be perfect for the infrastructure bank. There will be many projects, infrastructure approaches, that will not be appropriate for that bank because they won't be big enough to have the potential to be attractive to pension funds.

Over the last few days I've spoken to a huge number of mayors across the country, in Edmonton, Calgary, Montreal, Quebec, Toronto, Ottawa. They've all been very enthused not only because they can see those transformational projects but also because they realize that if they can get at those transformational projects in a way that allows them to access other sources of funding, it will leave them more funding to do what they might need to do, whether it's to repair the snowplow fleet or other things that of course municipalities will have to do.

We see this as an additive to our impact on the economy. It'll have a huge impact on municipalities because it will give them more capacity to do more things that they need to do for citizens.

**The Chair:** I'll cut it there, Mr. Minister.

Go ahead, Mr. Liepert.

**Mr. Ron Liepert (Calgary Signal Hill, CPC):** Thank you, Minister. As others, I'll try to keep my questions as short as possible.

Does it matter to you personally that there's no plan to balance the budget? To make it simpler, I'll maybe throw out a multiple choice: yes, no, sort of, not really.

**Hon. Bill Morneau:** It's important for me to say again that it's not only for this committee but for Canadians, that it's important to me personally. It's important to our government that we're fiscally responsible. We know—

**Mr. Ron Liepert:** Oh....

**Hon. Bill Morneau:** —that the way to be fiscally responsible includes making investments in our economy, and that's what we're doing. We're going to do it in a way that allows us to keep our very strong balance sheet over time. That's the commitment we've made to Canadians, and we will follow through on it.

**Mr. Ron Liepert:** So you're okay with a \$30-billion deficit being sold as “fiscally responsible”?

**Hon. Bill Morneau:** I'd like to bring all of us back to the decision that Canadians made a year ago. On offer was the option of balancing the budget from the two parties represented to my right, or making confident investments in the future.

**Mr. Ron Liepert:** Let me remind you that the choice was a balanced budget or a very small \$10-billion deficit, not a \$32-billion deficit, Mr. Minister. If we're going to talk facts, let's stick to facts.

• (1345)

**The Chair:** Mr. Liepert, the minister has the floor.

Go ahead, Minister.

**Hon. Bill Morneau:** We came into office with the mandate to make investments. We also recognize that we've been in a low-growth era. We also recognize the global challenges; the amount of growth in the United States is less than we had expected, presenting significant challenges internationally, but we recognize that we continue to have opportunities to make a real difference for Canadians, and that's what we intend on doing.

**Mr. Ron Liepert:** Okay. I want to get back to your earlier answer to my colleague. In essence, you said it was more important to create jobs than it was to balance the budget. That's fine if that's your view, yet the PBO says not one net new job has been created. How do you align those two statements?

**Hon. Bill Morneau:** I'm pleased that I had the opportunity yesterday to provide Canadians with an update on our economic situation. Really what that did yesterday was allow Canadians to see the rolling-out of our plans. In budget 2016, as you'll remember, we made a significant effort to improve the lives of middle-class Canadians. Those efforts are just starting to fold into the economy.

The Canada child benefit, which is having a big impact on Canadian families, came into the economy on July 20. The infrastructure funding, the \$14 billion we committed to in the March budget.... Of course, to do it responsibly you have to actually get to agreements, as we did with universities during the course of the summer and as we did with provinces and territories during the course of the summer. Those agreements have now been signed, and what we're going to see is projects that are getting going.

**Mr. Ron Liepert:** No, I—

**Hon. Bill Morneau:** We expect that the growth in jobs that we projected in budget 2016 will come about, and that's what we're working to do for Canadians.

**Mr. Ron Liepert:** I appreciate the fact that you've acknowledged that not one net new job has been created.

However, I want to get to one other issue, and that is around infrastructure. Some 800-some projects have been approved, yet according to the most recent Bloomberg study, there has been only one project that has broken ground, and that's in my province of Alberta in Whitecourt.

Are there other projects that you're aware of, or is it correct that only one project has actually broken ground out of the infrastructure funding that was announced in the budget?

**Hon. Bill Morneau:** As you can imagine, we're working hard to make sure that we get, in a responsible way, the funding that we've provided in budget 2016 in the same way that we'll move forward with the announcements we talked about yesterday. Our job is to figure out how we can have the biggest positive impact on our economy, how we can help Canadians in the best possible way by creating good jobs, and that means being bold in terms of the investments we want to make and being responsible about how we deliver them.

That's what we're doing. We're working to ensure that every project that we embark upon is done in a responsible way for the biggest possible impact.

**The Chair:** Thank you both.

We'll have Mr. Grewal, and then, Mr. Caron, you'll have a couple of minutes, and then we'll go back to five minutes for Mr. Ouellette.

Mr. Grewal, the floor is yours.

**Mr. Raj Grewal (Brampton East, Lib.):** Thank you, Mr. Chair, and thank you, Minister, for being here with us today.

Let's shift gears a little bit. Let's talk about the foreign direct investment branch you're about to set up.

From a previous career as a corporate lawyer, I noted that law firms made a lot of money publishing books on how to do business in Canada. If you talk to a lot of people down south and you talk to a lot of people in Europe, they have great things to say about our country, but they have a few complaints about doing business in our country. That's what restricts foreign direct investment. Could you comment on the existing barriers to foreign direct investment in Canada and how this new agency will help alleviate some of those?

**Hon. Bill Morneau:** Thank you.

The invest in Canada hub is really intended to ensure that we let the world know that we want their investment if it's investment that will help us to create jobs in our country, if it's investment that will advance our goal of growing our economy. We know that as we do that, we need to deal with the challenges that investors face as well as present the opportunities that they have when they make investments in Canada.

We think that we can do better at presenting those opportunities, and that's what we're going to go about doing. You will have seen in *The Economist* this week, if you took a look at it, an article that's talking about the Canadian advantage and why investment in Canada makes sense because we have such a strong, educated workforce and the capacity to build off our great diversity.

We can see the advantages, and some of the challenges are also clear. We're going to deal with those. One of the things we did in our approach is we said that we're going to raise the amount of the threshold for investigation into whether a company can invest here from its current level up to a billion dollars. We're doing that in advance of what was previously understood. This provides a facility for people to make investments in Canada.

As I mentioned earlier, we've heard about the real need to be able to move talent here. If a business wants to start up in another country and wants to create 100 jobs in that country, it might need someone from their head office to go there in order to bring their culture and their technology and their know-how into that new place, so we're enabling them to do that in a way that will enable their investments and allow them to create jobs here.

These are really important decisions that can pave the way for expertise transfer into Canada, for better jobs for Canadians, and for a more vibrant economy in the long run.

• (1350)

**Mr. Raj Grewal:** Thank you, Minister.

Along that line, immigration policy now is going to go hand in hand with economic policy. Your advisory council that you set up recommended an increase to 450,000 per year in immigrants. I agree with the advisory council. I know things don't happen overnight, and these are long-term policy changes. We see a disconnect when we travel the country from coast to coast between the jobs that people are looking for and the jobs that are available. There's a skills disconnect there, and that's why we still have a decent unemployment rate.

Can you speak to how an increase the immigration numbers may negatively or positively affect employment in the country?

**Hon. Bill Morneau:** Sure. I've been working with my advisory council on growth to think about how we ensure Canadians have the skills required to deal with the jobs of the future. We don't even know at this stage what many of them are going to be, so we need to create a constantly changing approach to skills. That is something we are looking at.

We also need to ensure that Canadians have access to information they require in order to choose the right courses to study and get into the right place for future opportunity. We are looking at those two areas as critically important in terms of some of the next things we are going to be talking to Canadians about.

With respect to immigration, we see our ability to bring people into our country as part of our long-term strength. It does create long-term growth. It also creates, as you mentioned, the short-term reality that we need to do very well for those people we invite to our country. That's something we are working on.

What you heard from my advisory council is an ambitious idea of growing the number of immigrants to this country. That ambition is important, and it's an ambition our government shares. We also know that we need to get right what we are doing now. The announcement on November 1 of 300,000 immigrants is really us saying that we want to do a fantastic job for the people we bring here so that we can position ourselves for continued growth down the road.

**The Chair:** Thank you both.

Mr. Caron, I think you have time for one.

[Translation]

**Mr. Guy Caron:** Thank you very much, Mr. Chair.

I have a quick question.

It is said that, in the coffers of this Canada Infrastructure Bank that is about to be created, there will be \$1 of public money for, hopefully, \$4 of private funds. I think it is clear that people in the private sector, whether pension funds, private equity funds, or anything else, are not going to invest simply out of the goodness of their hearts. They will want a return on their investments.

How can public infrastructure ensure this return for private investors, other than by implementing user fees and tolls, or by increasing existing fees?

**Hon. Bill Morneau:** I would like to begin by explaining that our decision to create an infrastructure bank stems from an observation that it is possible to find people, institutional investors or pension funds that want to invest in infrastructure globally. As you said, it is important for them.

We also understand that it is important for us to identify more activities, infrastructure and possibilities for projects that can generate change. That is our goal. Together, we can find projects that will be meaningful for investors and also for Canadians. In this way, we will be able to roll out more projects more quickly and thereby generate change thanks to other investments.

• (1355)

[English]

**Mr. Guy Caron:** It was much longer than my question.

**The Chair:** Mr. Ouellette, go ahead.

[Translation]

**Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.):** Thank you very much, Mr. Morneau, for being here with us today.

What I admire about our government is that it is trying to eliminate the child poverty that currently exists.

[English]

I'm so proud that we are the government that's really trying to rid our country of child poverty, because poverty does not stimulate the economy, nor does it stimulate the human condition. I am very proud of the measures that you've taken on that side. Sometimes when you have a deficit, there are very good reasons for it. It's a very good thing that we're doing.

I would like to go back to the infrastructure bank. I'm not completely convinced about this infrastructure bank, and I'm going to hold you to account, even though I'm in your governing party. I'd like to have a bit more understanding of the timelines and some of the types of projects you are looking at, because a lot of the projects might be very small. When do you actually see the infrastructure bank being fully functional in the Canadian economy?

**Hon. Bill Morneau:** There are two subjects in that question.

I'd like to start with the issue of child poverty, because I heard some comments. The action we took in Budget 2016 to introduce the Canada child tax benefit gives 3.2 million families the Canada child tax benefit. In 2017 we will have 40% fewer children living in poverty in this country than we had in 2014. I don't know how anybody living in a country as wealthy as ours can say that's not something that we should absolutely aspire to, the idea that we are going to make a difference in child poverty. I mean, I don't know how a House of Commons with people from all different parties can't say, "This is absolutely a goal that we should aspire to." I couldn't be more proud of those efforts. If we can look back a decade or two from now say that we've been able to do that, we will all be very proud of the time we spent in the House of Commons. I'm sure of that, because it will make a real and measurable difference in the long term.

The Canada infrastructure bank is something that's going to make a difference over the long term. It's something that we know will amplify our efforts. We want to get going on it quickly, so in response to your question around timelines, we will move forward with legislation for it in our 2017 budget. Our aspiration is that it will be operational in 2017. We'll be developing a pipeline of projects. I can't tell you right now that I know what the projects are, but I can give you examples.

The project in Montreal that the *Caisse de dépôt* and the transit system are working on with the Quebec government is a good example of the kind of project that has inspired our vision, the kinds of projects that public sector pension funds, in the case of the *Caisse de dépôt*, look at and see that they can improve the lives of retirees over the long term by having infrastructure investments. We can do that to improve the lives of the people who live in Montreal by getting them to and from work more rapidly by getting at this project. There will be big transformational projects in this country that we won't get to or won't get to quickly unless we find a way to crowd more funds into the sector. That's what we aspire to do.

I want to just make sure that you, Monsieur Caron, and others realize that we remain committed to significant infrastructure investments that will not be through the infrastructure bank, because there will be many projects for which it will not be the appropriate vehicle. However, there will be others that will be appropriate and that will have a bigger, quicker impact on Canadians and a much bigger impact on our economy because we move forward in a way that is groundbreaking in the world. That's our objective.

• (1400)

**The Chair:** Mr. Ouellette, you can ask a very quick question if you have one.

All right, we'll leave it at that.

When the Canada Pension Plan Investment Board was here, Minister, they did say that they didn't invest a lot in infrastructure in Canada and that their floor was about \$500 million in terms of the diversified accounts that they have around the world on infrastructure. They looked at it and it had to be about \$500 million before they would get into it. You might want to look at the transcript of their appearance here if you haven't yet.

With that, Minister, I think you knew before you came that there are certainly differences in approach to economic policy around this committee, but I think I can say on everyone's behalf that we really appreciate the fact that you made your fall economic update in the House of Commons, where I think it should be made, and we appreciate your appearance here today within 24 hours of having made that fall economic update in the House of Commons. I expect this was maybe a trial run for question period.

**Hon. Bill Morneau:** We'll see. There may be other questions there.

**The Chair:** With that, we thank you, Minister, and we thank your deputy for appearing.

This meeting is adjourned.







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