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## **Standing Committee on Finance**

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**EVIDENCE**

**Monday, April 10, 2017**

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**Chair**

**The Honourable Wayne Easter**



## Standing Committee on Finance

Monday, April 10, 2017

• (1530)

[English]

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

We're pleased today to have the Minister of Finance here. We will deal with two issues: the main estimates for 2017-18 under Standing Order 81(4) and, under Standing Order 108(2), a briefing on budget 2017.

I believe members are aware that the minister and the deputy minister, Paul Rochon, are here for the first hour on both issues. Following that, we will turn to officials in the second hour of our meeting.

Mr. Minister, I'm not sure if you have an opening statement or not, but we'll turn the floor over to you. Welcome. It's a pleasure to have you here.

**Hon. Bill Morneau (Minister of Finance):** Thank you, Mr. Chair. Yes, I do have an opening statement.

Thank you, committee members, for having me here today. I'm very pleased to be here to talk about budget 2017, "Building a Strong Middle Class", and how it will help Canadians.

I want to begin by thanking the members of this committee for your hard work in putting together recommendations for budget 2017. Your recommendations this year focused on the theme of what we can do to grow the Canadian economy. They were informed by presentations from nearly 300 groups and individuals and more than 400 online submissions, with ideas from Canadians from all walks of life from across our great country.

Your work is vital to our budget process. You help us in making sure that we're doing our job and addressing the needs of Canadians.

[Translation]

Our second budget represents another step in our government's long-term plan to create jobs and more opportunity for the middle class and those working hard to join it.

[English]

When we formed the government about a year and a half ago, we promised Canadians to put middle-class families first. That's exactly what we've done.

We started by asking the wealthiest 1% in our country to pay a little more so that we could cut taxes for the middle class.

Then we introduced the new Canada child benefit. This tax-free benefit is simpler, more generous, and better targeted to help those who need it than the previous child benefit system was.

We then reached an historic agreement with the provinces to help people to retire with more dignity by strengthening the Canada pension plan.

We went even further to support Canadian families by investing \$6 billion over 10 years for home care, and \$5 billion over 10 years to support mental health initiatives. To date, 12 provinces and territories have accepted the federal offer and received their share of this investment in home care and mental health.

In short, we took the necessary first steps to restore hope to the middle class, and we did that by putting people first.

[Translation]

We are making small investments to help people make better use of their skills, revitalize their communities, and ensure sustainable economic growth.

The measures we have taken so far are having a meaningful and positive impact on the economy and Canadians.

[English]

Optimism is on the rise, and with good reason. Forecasters are expecting Canada's economy to grow even faster in the next two years. In the last eight months alone, the Canadian economy has created over a quarter of a million full-time jobs.

We understand that despite these positive signs, people are still anxious about the future. The economy is changing. Global markets are shifting. Automation is on the rise. Canadians want to be assured that their hard work will pay off with a better future for their kids and their grandkids.

That's why budget 2017 puts Canada's skilled, talented, and creative people at the heart of a more innovative future economy. That is why we're not just creating the jobs of today, but are getting people ready for the jobs of tomorrow, because the next job should be a better job. We call it our innovation and skills plan.

With it, we'll support a culture of lifelong learning to help workers adapt to the changing demands of our time. We recognize that we need to do more to help Canada's workers learn, adapt, and have good jobs throughout their working lives.

● (1535)

[Translation]

Budget 2017 significantly boosts federal support through the labour market transfer agreements with the provinces and territories by \$2.7 billion over six years.

[English]

For Canadians looking for work, this means more opportunities to upgrade their skills, gain experience, or get help to start their own business. For Canadians who have lost their jobs, we'll make it easier for EI claimants to pursue self-funded training while remaining eligible for their benefits.

For Canadians going back to school for retraining, budget 2017 will expand eligibility for Canada student grants so that each year an additional 10,000 part-time students and a further 13,000 students with dependent children can get the financial help they need to pursue a post-secondary education.

At the same time, we're taking action to give our young people the best possible start to their careers.

[Translation]

We are making investments to promote science, technology, engineering, and math, particularly among young women, girls, and indigenous youth, as early as elementary school.

[English]

We'll also invest to help make coding a basic skill that our children learn along with reading and writing. To help more young Canadians, including vulnerable youth, make the transition from school to work and to get a strong start on their careers, we'll invest in the youth employment strategy. This comprehensive set of skills and training measures will help Canadians at every stage of their career make Canada's greatest resource—our people—even greater.

But budget 2017 goes further.

[Translation]

Our plan seeks to make Canada a world-class centre for innovation, in part by shining a spotlight on specific sectors such as the digital, clean technology, and agrifood industries.

[English]

I'll give you two examples.

Budget 2017 takes action to help ensure that Canada is positioned to take part in breakthroughs in fields like artificial intelligence. We believe that Canada will be a world leader in artificial intelligence. That's why we're launching the pan-Canadian artificial intelligence strategy. This strategy will promote collaboration between Canada's main centres of expertise and will position companies, especially Canada's new companies, together with the new Vector Institute, at the cutting edge of artificial intelligence research.

Second, in agrifood we're positioned for success. We know that by the year 2050, global demand for food is expected to double.

[Translation]

This represents a golden opportunity for us. Our agriculture and agrifood sector already supports more than two million jobs and accounts for more than 6% of the country's gross domestic product.

[English]

That means more demand for prairie canola, Atlantic crab and lobster, and B.C. berries. It also means more jobs in the fields of southwestern Ontario and on the maple syrup farms in Quebec's Eastern Townships. Through budget 2017 we'll help farmers, producers, and processors build their businesses globally and help all Canadians get the most out of the innovative economy.

Through budget 2017, the government is also taking action to make our neighbourhoods better, healthier places to live. Total federal investments in infrastructure now top \$180 billion over 12 years.

[Translation]

Part of that money will go to improving access to early learning and child care, with a \$7-billion investment over 10 years. The goal is to support and create more high-quality, affordable child care spaces across the country, especially for those families most in need.

● (1540)

[English]

Canadians will also have better access to housing that meets their needs through the new national housing strategy, to which the government is committing more than \$11.2 billion over 11 years to help build, renew, and repair Canada's stock of affordable housing.

To support the next phase of ambitious public transit projects, the government will invest \$20.1 billion over 11 years to bilateral agreements with provinces and territories. By investing in infrastructure now, we can strengthen and grow the middle class, create good, well-paying jobs, and make Canada an even better place to call home.

[Translation]

As we prepare Canadians for the economy of tomorrow and help them access the tools they need to succeed today, our government is continuing its efforts to ensure that our tax system is fair.

[English]

All Canadians must pay their fair share of tax. The government will continue to improve tax fairness for Canadian families by closing loopholes, eliminating measures that disproportionately favour the wealthy, and cracking down on tax evasion so that every Canadian has a real and fair chance at success.

Over the last 18 months, we've seen positive signs that our plan is working, but we can and will do more to help the middle class and those working hard to join it. As we remain focused on growth, it won't just be for growth's sake.

[Translation]

We are committed to making sure that all, not just the wealthiest, Canadians benefit from that growth.

[English]

We will help families feel better about the future of their kids and their grandkids.

Thank you. I welcome your questions.

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

We will go to five-minute rounds, if we could get agreement on that, to try to get everybody in.

We'll start with Mr. Fergus.

[Translation]

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

I, too, would like to welcome you to the committee, Minister.

From the measures the government has taken, we can see that your two budgets have had a positive impact. However, the public transit tax credit is one of the measures that people in my riding are concerned about, as am I.

As you are aware, Mr. Morneau, my riding is across the river, so you could say I was a local MP. I take the bus and use public transit regularly. After the previous government introduced the tax credit, I must say that I never saw public transit ridership go up.

Could you explain to the committee, and to all Canadians, why you decided to eliminate the public transit tax credit?

**Hon. Bill Morneau:** Thank you for the question. You raise a very important point.

As you know, we explained a year ago that it was important for our government to review how our tax system worked. We determined that it was necessary to look at every single measure to make sure that it was fair and effective and did what it was meant to.

We have looked at a number of considerations over the past year, and we determined that the public transit tax credit was originally meant to increase the number of people who use public transit. The idea was also to generate a positive environmental impact. In view of that, we determined that the measure was not effective because, in actual fact, it was not serving its purpose.

We therefore felt that it was more important to invest in public transit networks across the country in order to actually encourage more people to use public transit and thus benefit the environment. For that reason, we took a long view and invested more than \$20 billion in public transit networks.

We intend to work with municipalities and provinces to identify projects that will produce the necessary benefits. That is our goal. We will continue to assess measures to make sure that they are

working and have a place in our tax system. In this case, we found another way to achieve the same goal and have a greater impact on Canadians.

• (1545)

**Mr. Greg Fergus:** That's wonderful.

Minister, my second question pertains to the Canada child benefit. On the weekend, I travelled all over my riding and connected with an old friend who volunteers for the Society of Saint Vincent de Paul. Many of my fellow members at the table are familiar with the good work that the people in that organization do.

As they do every year, they organized an event to help underprivileged families with children. My friend told me that, this year, they noticed that the number of low-income individuals seeking assistance for their children had dropped and that it was thanks to the Canada child benefit.

Have you seen the difference that the Canada child benefit is making in the day-to-day lives of people in need across the country?

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

We have heard stories like those all over the country. The Canada child benefit has made a tremendous difference for Canadian families. The rate of child poverty is expected to be about 40% lower than it was in 2014. That is hugely significant. The figures are really impressive: 300,000 children will be better off this year and not living in poverty. That is a major improvement. We continue to keep a close eye on how families are doing across the country. We have no doubt that we have made a huge difference in their lives.

We now have a plan to create more jobs for families. This will put them in a better position so they can plan for a brighter future.

We had to start by looking at how we could help families, and help them we have. We will continue to pursue measures to that end. What we can do now is create even more jobs for families.

[English]

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

Mr. Deltell will go a little longer than five minutes to keep it balanced.

Go ahead. The floor is yours.

**Mr. Gérard Deltell (Louis-Saint-Laurent, CPC):** Thank you so much, Chair.

[Translation]

My fellow members, it is always a pleasure to see you.

Minister, it is lovely to see you as well.

Right off the bat, I want to applaud the Minister of Finance for his French skills; the calibre of his French is always so good. Although it may have been poor form, my poking fun at the minister's French skills in the past was merely a political response to the fact that, when I asked questions, I didn't get the answers I was hoping for. Now that that's clear, let's get down to business.

Our party is very concerned about how the current government is handling public finances. Basically, its approach is to say that it can borrow money, technically speaking, without really knowing what the impact will be on the country's deficit or debt. The government's approach is to borrow money.

As I said earlier in the House, no household breadwinner or business owner could survive by constantly relying on their line of credit. The bill has to be paid eventually; no one can live above their means forever.

My question for the minister is quite simple. When exactly will Canada return to a balanced budget?

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

I think it's very important to explain what we, as a government, are trying to do for the economy. Given the state of the global economy and the country's changing demographics, the biggest challenge facing the government is economic growth. At the beginning of our mandate, it was clear that the problematic numbers were attributable to our rate of economic growth. That is why we decided that the most important thing we could do for Canadian families all over the country was to make investments. We had to invest, first, in families and, second, in the country's future.

We began taking measures to put families in a better situation and help them become more optimistic about the future. The unemployment rate has gone down, so the approach has worked well. We also made investments in the future. An optimistic country has to invest to improve its situation. We have the best balance sheet in the G7, and we can make significant investments to improve our situation. Fortunately, things are starting to get better. Already, all families are better off thanks to job creation efforts. Our economic growth outlook is now more positive than it used to be.

• (1550)

**Mr. Gérard Deltell:** Actually, the thing that was quite clear at the beginning of the government's mandate was that the Liberal Party had been elected on the promise that it would return the country to a balanced budget in 2019. Every Canadian following these proceedings will appreciate that, once again, I asked for an exact date as to when we would return to a balanced budget. The minister is forthcoming with fine explanations, but not an exact date.

I could ask the question 25 times, as I have in the past. I did so 16 times before the budget was tabled and have yet to receive an answer.

If the minister is unable to give us an exact date, then, I would ask this. Will Canada return to a balanced budget in the short, medium, or long term?

[*English*]

**Hon. Bill Morneau:** Mr. Chair, I'd like to be very clear on this. We are in the situation that we are in right now. The reason the

deficit was higher than we expected when we came into office was that there was low growth. Fully half of the deficit that we delivered in our first budget was due to lower-than-expected growth. As we think about that situation, we deal with the actual problem. By dealing with the actual problem, we are increasing the growth rate of this country.

Our starting point was to make sure that Canadians felt optimistic about the future. The good news is that with a much lower level of unemployment now, with the best growth in new jobs that we've seen in over a decade, we now have a sense of optimism. The other good news is that we're now starting to see more positive growth rates. That is exactly what we need to do to deal with getting great jobs for Canadians, having more optimistic futures, and, over the long term, ensuring that we can continue to reduce the amount of net debt against our GDP, which we know is the most important measure as we think about our fiscal capacity.

**Mr. Gérard Deltell:** Mr. Speaker, this is a brand new political and economic policy. Canadians feel optimistic. Is that the way to run the country? Not really. So this is why we are very concerned. The minister can't answer a simple question about when Canada will get back to a budget balanced. It can't give a timetable, a horizon for when Canada will get back to budgetary balance, in the long term, medium term, or short term. The minister can't answer. We are very concerned.

**The Chair:** Mr. Minister.

**Hon. Bill Morneau:** We completely disagree with the member. Let me say that unemployment statistics are not just statistics, so when we say that we've created 276,000 new jobs over the last 12 months, 81% of them full-time, those are not just statistics; those are families that have jobs. Every one of those families with a full-time job is feeling more optimistic. Every one of those families that's feeling more optimistic is more likely to put kids in piano lessons or in hockey camp or do the things that it wants to do as a family. That is what's helping our economy to be successful.

As we look towards what we can invest in the future, it's about having optimistic families that are making investments in the future, investments in their children, investments in themselves, so they can improve their own skills and make all of us wealthier because the economy will be more successful. That is exactly what we're trying to achieve. The good news for all of us, even those who don't agree with our plan, is that it's working, so it's going to be better for you too.

**The Chair:** Thank you both.

Mr. Dusseault, go ahead for six minutes.

[*Translation*]

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

Minister, thank you for being with us today. I am certain that the Liberal Party's platform and promises matter a great deal to you and that, as Minister of Finance, you feel strongly about sticking to them.

With that in mind, I'm going to hone in on a number of areas where the budget falls short. I want to begin by bringing up an element in a recent NDP motion that you supported; it was on March 8. The motion sought to cap the stock option deduction loophole, which benefits the wealthiest members of society.

You mentioned, in your opening remarks, that you had reviewed federal tax expenditures over the past year in order to identify provisions in the Income Tax Act that needed fixing.

You supported the NDP motion. Why, then, in Budget 2017, did you not cap the stock option deduction loophole, which benefits the wealthiest members of society?

• (1555)

**Hon. Bill Morneau:** We reviewed the largest expenditures, focusing especially on the increasing number of private companies being used by individuals seeking more beneficial tax treatment. That was a very important element. We are trying to make the tax system fairer by making sure that no one can engage in tax planning that benefits them more than their neighbour. That was the most important thing for us. We know we can make changes to the tax system so that people cannot get away with paying less taxes than their neighbour. We know that is possible, so we decided to conduct consultations, after which, we will introduce changes that will create a fairer tax system. That is what matters to us most.

**Mr. Pierre-Luc Dusseault:** Does that mean you do not intend to honour that Liberal Party promise in the near future? Right now, are you flat-out refusing to close that particular tax loophole, or do you remain open to the idea?

**Hon. Bill Morneau:** We will continue looking for ways to achieve an effective and fair system that works. I want to be clear: the government wants to make absolutely certain that everyone pays their fair share. We invested \$444 million in Budget 2016 to combat tax evasion, and we have done the same in this year's budget. That way, we can be sure that people are paying their fair share. We will keep looking for ways to achieve tax fairness, right up until the end of our mandate.

**Mr. Pierre-Luc Dusseault:** Thank you.

I have a question on another topic. It recently came to light that Canada's banks are engaging in marketing practices that are questionable, sometimes deceptive, and even illegal. I'm not sure whether you heard about the revelations uncovered by CBC/Radio-Canada. Bank employees said that they were pressured to sell financial products, using questionable methods in some cases.

What do you make of such marketing practices by banks? What have you done to make sure they obey the law?

[English]

**Hon. Bill Morneau:** Just to be clear, I'll respond in English. We believe it's very important that the banking system treat its customers appropriately. The Financial Consumer Agency of Canada and the Office of the Superintendent of Financial Institutions are looking into banking practices. We are going to make sure that they have the resources to do so. We're standing very close by to make sure they are in fact reviewing those banking practices. We think it is important for us to consider this and to assure us that people are not being pushed into products that are inappropriate for their situation.

We take it seriously, and I'm encouraged that the Financial Consumer Agency and OSFI have moved forward as quickly as they have—and, as I said, we will remain focused on this issue.

• (1600)

[Translation]

**Mr. Pierre-Luc Dusseault:** Thank you.

[English]

**The Chair:** Thank you, Pierre. We went a little over time with all three speakers.

Ms. O'Connell, go ahead for five minutes.

**Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.):** Thank you, Mr. Chair.

Thank you, Minister, for being here. I want to touch on a highlight in this budget that we haven't seen before, the gender lens that was included in it.

During this process, were there any surprises that maybe affected policy, since you were taking a different approach with this budget? What does this mean in the future policy-wise, when a gender lens in budget decisions will now determine what those decisions mean for different people in this country?

**Hon. Bill Morneau:** Thank you. We are very pleased with the first step in doing a gender analysis in our budget.

I want to step back and set the framework for this. Women are more than 50% of our population. We have lower workforce participation among women than we have among men, especially in the 25-to-54 age group. We continue to have pay for women that is lower than for men in similar jobs with similar experience. We know that as a country we're not making the best use of an incredibly important part of our population.

That's the backdrop for our decision to move forward in this regard. We want to make sure that we're empowering women to get into the workforce and to have the success they should have once they're there. That's the frame of reference in coming forward and saying that we should look at our budget with an analysis of how it impacts women.

We made progress on that this year, but we're not by any stretch of the imagination finished. It's an area where not every department could look at every measure and analyze it to the extent that we'd like to do. We're still building expertise. You can expect that this will be a continued analysis over the course of future budgets. I expect we will find that we have some ideas that, looked at through that lens, might not be appropriate, or that we might be able to do more of in order to have a bigger impact.

Some things very clearly will have an impact this year. One is the \$7 billion that we've put in over a decade for early learning and child care. We know that one of the obstacles to women being successful in the workforce is child care, so we know that will have an impact. Second, we looked at the amount of women accessing venture capital funds. We've had a great deal of success with venture capital funds over the past decade, with the VCAP program. We found that there were not as many women entrepreneurs accessing those funds as men, and for that reason dealt with the issue by making a specific measure in that regard.

We'll continue to do this. It's important for us to do this, and it's not only because we want to empower women to be more successful. It's for all Canadians. If we can increase workforce participation and get a higher level of success for women, we'll deal with one of our most fundamental challenges, and that's demographic change. This is the biggest way we can do that.

**Ms. Jennifer O'Connell:** Thank you. I'm glad this will continue.

I filled in for another member at one of the meetings of the human resources committee, which is looking at maternity leave. I don't think our EI system was designed maliciously to impact women negatively, but I have a resident in my community who was laid off right after her maternity leave. EI is calculated based on the last 52 weeks you worked, so she was left out. Her male colleagues, who were also laid off, could access the EI system. The lens on that right shows that it's just such a simple simple issue, which I don't think the system was ever designed for. Adding this lens will look at the differences that women and men face in the workforce.

In terms of infrastructure, you touched on housing as well as transit. I want to say two quick things and get your thoughts and comments on them.

In terms of transit, one of the things I was very pleased to see—I spoke to my municipal colleagues after the budget was announced—was the predictable transit funding that's now based on ridership and population. It's important because municipalities can now increase transit, the routes or fleets and all of that. Just basing it on ridership doesn't actually get you further ahead but somewhat maintains what you already have. I don't know if you have a comment on that.

Finally, in terms of affordable housing and its economic benefits, it's not just the right thing to do but also what it means for the economy when we're getting more people in the workforce and ensuring that people can really reach their full potential.

**The Chair:** Mr. Minister, please make it a quick answer.

• (1605)

**Hon. Bill Morneau:** Just quickly, the notion that we're going to work together with provinces and municipalities on public transit and to deal with that based on ridership and population has been met with a great deal of success, from my perspective from going across the country.

Clearly our initiative around affordable housing is to deal with the very real challenge we have when people cannot find adequate lodging and to improve the current housing stock. This will make an important long-term difference as we move forward on the funding together with provinces and municipalities.

**Ms. Jennifer O'Connell:** Thank you.

**The Chair:** Thank you both.

Mr. Albas, you have five minutes.

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

Minister, thank you for coming here today. I certainly appreciate your work on behalf of our great country.

I'd just like to start by saying that provinces are obviously in a much different state. You've tabled your second budget. Other provincial finance ministers, such as Finance Minister Ceci in Alberta, have tabled theirs. Alberta also has large deficits with no sign of returning back to balanced budgets. In fact, the return to balance has been kicked further down the road. He has received questions on whether or not the rating agencies are going to continue the AAA credit rating.

Given that you continue to say that it's in the country's interest to go into large deficits without any sign of when we will return to balance in the short, middle, or long terms, have you spoken to any of the credit agencies? Have they questioned you on the fiscal plan and whether or not Canada will still retain its AAA credit rating?

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

Let me start by saying that as we make investments in the future of our country, as we work to create good jobs for Canadians, we are absolutely focused on doing that in a responsible way. We have made a commitment to be fiscally responsible, and we know that we've followed through on that commitment by showing a track to a continued net debt-to-GDP situation that is positive. That will continue to be our focus.

We believe that the AAA credit rating we have is due to our very strong fiscal situation. We have the best balance sheet in the G7 countries. That's a positive. When you look at our approach to making investments, you find that we are, considering other countries that are in a similar situation, making fiscal investments that are actually having an outcome that's positive, so it is an approach that we know is consistent with fiscal responsibility.

We do continue to look at what the rating agencies say about Canada. I most recently met with Moody's in New York last week. It had a positive response, in my estimation—you can find it online—to our budget. I will tell you that the meeting was positive. I don't want to put words in its mouth; you can read its report. Its sense was that we are making investments that are having an impact while being fiscally responsible.

**Mr. Dan Albas:** Thank you for explaining your meeting.

One reason I asked about that is that if we do not retain our AAA credit rating, then obviously we're going to see our debt-servicing costs go up. Most Canadians would be shocked to hear that we spend more on debt servicing right now than we do on things like national defence. I think this will become an important issue, particularly when we see interest rates down south going up. I don't see the same kind of monetary policy here in Canada, which means that at some point our debt may go up whether or not we retain that AAA credit rating.

Are you anticipating further increases in our debt loads?

• (1610)

**Hon. Bill Morneau:** Let me come back to say that the approach we're taking is one that we believe is appropriate for our current situation. It's having a positive impact.

**Mr. Dan Albas:** Do you see though, Minister, that there could again be cost increases on the debt side? You're financing a lot of your activities, and whether or not I agree with them is not the question. The question was whether you see the interest rates of the United States having an impact on our debt.

We are borrowing money, and obviously to be competitive, we will have to raise it at some point. Do you see that as an issue?

**Hon. Bill Morneau:** I'm not going to opine on Canada's interest rate. That's the domain of the central bank governor.

**Mr. Dan Albas:** No, I'm asking about our debt rates, though.

**The Chair:** That's not [*Inaudible—Editor*] Dan.

**Mr. Dan Albas:** I've asked about our debt. That's well within his

**The Chair:** Let's hear what the minister has to say, and then we'll go from there.

**Hon. Bill Morneau:** What have you asked about our debt?

**Mr. Dan Albas:** I've asked you, sir, whether you see a rise in interest rates in the United States putting pressure on Canada's being able to attract people who will purchase our debt, to finance the "investments". I use that with air quotes on purpose. Sir, that has a direct relation to your ministry.

**Hon. Bill Morneau:** Perhaps I can address your question in a couple of ways.

We have a positive credit rating from all of the major credit rating agencies. We have a plan that includes making investments for the long term. That does require that we raise debt. We have had no challenges in raising that debt. Since we are making responsible decisions that are resulting in positive outcomes for our economy, my expectation is that this improving economy will put us in a continuing positive situation.

**Mr. Dan Albas:** I have one last thing, Minister, very briefly, on capital gains. Obviously there's a lot of uncertainty around it, particularly after the budget, which had no changes in it. Again, you said to the press that it's still on the table.

We have the lowest rates of business investment in this country since 1981. That is obviously correlated with wages and jobs. Are you willing to say at some point...so we can build that certainty on the question of capital gains?

**Hon. Bill Morneau:** I'm sorry. What is the question?

**Mr. Dan Albas:** The question is, are you going to continue to create uncertainty by not answering on capital gains, or are you going to say to people that you're taking any increase in capital gains off the table in order to attract investment to this country?

**Hon. Bill Morneau:** Am I missing something? There was no change in capital gains in the budget.

**Mr. Dan Albas:** Again, through your statements in the press, Minister, you have said that you will continue to examine it. Are you going to continue to create that uncertainty or are you going to say that it's off the table?

**The Chair:** That's it, Dan.

**Hon. Bill Morneau:** What I would like to say to this room as I would say to any other room is that it was not in our budget, and I will not speculate on taxes. It's inappropriate for a finance minister to speculate on what may or may not be done in the future. You can read in our budget what we decided to do. It's there in black and white.

**The Chair:** Mr. Sorbara.

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

Welcome, Finance Minister.

We have been seeing a lot of green shoots, if I can use that term, in the Canadian economy. Today we had the housing starts data come out. We hit a 10-year high, with strong housing activity out west in B.C. and in Alberta in multi-units. We've been seeing a lot of good data come out, which I think is a reflection of the plan that we put in place and ran on.

The budget, which I've coined the "skills, innovation, and infrastructure budget", takes us in the right direction, in a fiscally responsible manner, but there is something you spoke about at the beginning that I think I would like to hear an elaboration on. It's the importance of lifelong learning, especially with the economy we face and changing technology and so forth. I was wondering if you could elaborate on lifelong learning, its importance to Canadians, and what measures we've put in place in the budget.

Thank you.

**Hon. Bill Morneau:** I think you characterize the budget well from our perspective. We believe it's important that we think not only about where Canada can be economically successful in terms of the sectors where we are already successful and places where we should make investments, but also about ensuring that Canadians can be successful in those places. Lifelong learning is critically important in helping people to be resilient in the face of economic opportunities and challenges.

We've talked about a number of measures in our budget that are going to be helpful for people at all stages of life, starting with thinking about how we can help children get coding skills at a very early stage in their lives, and thinking about how we can make investments in Mitacs to help people have more co-operative education as they're going through their university years.

Then, there's thinking about how we can ensure people get the right information about what sectors of the economy they maybe should focus their studies and training in. There's the thinking about creating an agency that will give people better information, both from business and from the government, about where the jobs of the future will be and how they can get access to training. Finally, there's putting in significantly more training funds so that we can work together with the provinces to help people get the kinds of skills they need.

This is very much what we're trying to achieve with this budget. We know that we'll need to work together with the provinces to get there. We are looking forward to making that sort of impact for Canadians.

• (1615)

**Mr. Francesco Sorbara:** One of the ways to grow our economy is to invest in human capital, to use that term again, and focusing on lifelong learning is one of those avenues.

I know that prior to this my colleague from that side talked about the rating agencies. I spent four and a half years at one of the big three rating agencies, and I can't help but note, speaking for me personally, that I look at fiscal responsibility as obviously of paramount importance for any government. On the fiscal responsibility that's built into our plan in this budget that I've read, I applaud you in keeping us on a steady ship, with net debt-to-GDP ratio steady or declining. If you'd like to comment on the importance of that, it would be great.

**Hon. Bill Morneau:** To restate what I've said here today, we recognize that we need to have a balance in all things. While we make investments in making sure that our economy is growing at the pace we hoped to have it grow, while we're making investments in jobs, while we're ensuring that the most vulnerable in our society are given opportunities, we also need to think about our fiscal responsibility and ensure that we are continuing in a positive situation.

We believe we've found that balance. We think that managing our net debt to GDP over time is critically important. It will allow us to maintain our privileged position as the best country in the G7 countries from the standpoint of our balance sheet. That is a commitment that we will maintain moving forward.

**Mr. Francesco Sorbara:** Thank you.

Thank you, Chair.

**The Chair:** Thank you.

Mr. Liepert.

**Mr. Ron Liepert (Calgary Signal Hill, CPC):** Minister, I know that since the budget you've spent a lot of time in southern Ontario making a number of announcements and awarding a number of grants.

I spent the week after the budget in my home province of Alberta, and optimism is not one of the words that I would use to describe the feeling of Albertans. In fact, many Albertans whom I spoke to are downright angry about the fact that Alberta still sends way more money east to Ottawa than comes back in the way of transfer

payments. They said to me that they got a paltry \$30 million while at the same time, 10 times that amount went to Bombardier.

How would you respond to those Albertans?

**Hon. Bill Morneau:** In the first instance, I can say to you that the very first place I touched down after the budget week was Calgary, to meet with people in Calgary. I had the opportunity to meet with the mayor to talk about the things we can do to work together in the city of Calgary—around public transit, as a good example. I had the opportunity as well to speak to the Calgary chamber of commerce and to hear from business people in Calgary.

I also did spend time, as you said, in southern Ontario. I was in London, Ontario, where I met with students at the University of Western Ontario. I can tell you that in both places there has been improvement in terms of employment. I will say that in Alberta it's not as fast an improvement as any of us would like, but there has been an improvement in terms of jobs in Alberta. We are working together to think about how we can continue on that trajectory.

We know that the resource shock is continuing to be a challenge for investors in that province. We also see that with our focus on the resource sector and the clean technology sector—two places where we know Canada can make an enormous difference over the long term—those will have a positive impact on people in Alberta today, and certainly create job opportunities for people tomorrow.

• (1620)

**Mr. Ron Liepert:** I'd like to ask a couple more questions, if I could.

Albertans also said to me that they hear a lot about infrastructure spending, and they asked if I could name one single project that is under way in Alberta as a result of last year's budget. I couldn't.

Can you help me out?

**Hon. Bill Morneau:** I would be happy to have our department send you details on—

**Mr. Ron Liepert:** You can't name anything that's happening because of the infrastructure budget, so I don't think there is anything happening in Alberta.

**Hon. Bill Morneau:** That's entirely inappropriate. I can tell you that there has been agreement to start 1,300 projects in this country, and that \$6 billion worth of projects are under way—

**Mr. Ron Liepert:** Most of that was from the previous Conservative government money that was left over.

I'm talking about your last year's budget.

**Ms. Jennifer O'Connell:** A point of order, Mr. Chair.

**The Chair:** We'll take the point of order in a second.

I think the minister has agreed that the department will provide us with information on some of those infrastructure projects that are happening in Alberta.

**Mr. Ron Liepert:** I'll be happy to receive that.

**The Chair:** Go ahead with your point of order, Madam O'Connell.

**Ms. Jennifer O'Connell:** Isn't it in the rules of this committee that the witness has the same amount of time, generally, as the questioner? I think we should allow the minister to finish instead of interrupting him and not giving him a chance to—

**Mr. Ron Liepert:** My first question, Mr. Chair, was very brief and the answer was very lengthy. I have only a few more minutes left.

**The Chair:** It's a general practice. We're relatively balanced here.

Mr. Liepert, go ahead. You have one more question.

**Mr. Ron Liepert:** I want to ask you about the decision to remove the farming community's ability to spread income and losses over several years. That really works out to be a tax increase for farmers. Why was that decision made?

**Hon. Bill Morneau:** Can you provide more details on the question, please?

**Mr. Ron Liepert:** Well, it's my understanding that previous to this budget, if the farming community had a particularly good crop year and then the next year they didn't, or vice versa, they had the ability to spread income and losses over several years. That was removed in this budget.

**The Chair:** Mr. Minister, I think what Ron is referring to is the consultations on cash tickets for grain. I think that's what the question relates to. I don't believe it's in this budget. I think consultations have been announced.

**Hon. Bill Morneau:** I'll let Andrew Marsland respond to that question.

**Mr. Andrew Marsland (Senior Assistant Deputy Minister, Tax Policy Branch, Department of Finance):** Thank you, Mr. Chair.

I think the question relates, as the chair notes, to an item in the budget on cash purchase tickets, which is a measure related to deliveries of grain to licensed elevators. The budget announced a consultation on the continued utility of that measure coming out of the review of tax expenditures. It's seeking people's views on that measure and its continued utility.

**Mr. Ron Liepert:** Okay.

Then that was reported wrongly, Mr. Chair.

**The Chair:** Just so we're all clear—I'm fairly familiar with this issue—farmers cannot always determine when they sell their product. They could, in fact, sell two years of crops in one, with very little income in one year and a high income in the other and not as many expenditures to weigh against it. It is the system they work under.

On what we're talking about here, no decision has been made but a consultation will take place. Is that correct?

**Mr. Andrew Marsland:** That's correct, Mr. Chair.

**The Chair:** Thank you.

We have Mr. Ouellette, Mr. Dusseault, and Mr. Grewal.

We'll go about five minutes over, if we could, Mr. Minister.

Mr. Ouellette.

**Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.):** Thank you very much, Mr. Chair.

To the Minister of Finance, thank you very much. I really appreciate your coming here, Bill.

In a previous part of this parliamentary session, I spoke on the right-to-die legislation that we eventually passed as a government. In budget 2017 there is an allocation toward home care in health. I'm wondering how much you expect will be put toward palliative care, which is a very important subject. I know that negotiations are still going on, but I'm wondering if you could just discuss that a bit.

• (1625)

**Hon. Bill Morneau:** Thanks for the question.

We've identified in our discussions with the provinces and in our agreements with the provinces around health care the importance of making investments in home care, the importance of making investments in palliative care, and the importance of making investments in mental health care.

We of course are not the level of government that delivers on those specific investments, so that's a conclusion that can only be reached in consultation with the provinces. In fact it's for them to deliver, so I can't actually answer that question. That's one that will be discussed between the Minister of Health and her colleagues at the provincial and territorial health level.

**Mr. Robert-Falcon Ouellette:** So it's still ongoing. That's good.

When you've come here in the past, we've also discussed issues surrounding the Canada child benefit. It's a great program. I'm very supportive of it, but we've talked often about families on social assistance and the children who were in the care of the state—in the child welfare system. I've also advocated that children who are in the welfare system should receive this benefit. It shouldn't be taken or clawed back by a province. I've talked about this privately as well, about trying to make sure the province doesn't do that.

Apparently the Province of Manitoba is still clawing back this fund from these kids. Many provinces will take these funds for child welfare children and place the funds in a trust so that when they age out of the system, our most vulnerable citizens will then have the ability to perhaps have something that they can use to become successful.

I was hoping to get your support to talk to Manitoba to make sure that they don't claw this back anymore. I think it perhaps might contravene federal legislation, but it certainly contravenes our moral values about who our most vulnerable citizens are.

**Mr. Paul Rochon (Deputy Minister, Department of Finance):** We have a program called the children's special allowances. It's precisely to deal with the issue of children in care. Through that program we provide provinces with funding to provide exactly the same benefit that other children will receive through the Canada child benefit. We're happy to follow up with the appropriate province on any issues related to that.

**Mr. Robert-Falcon Ouellette:** Thank you very much.

I very much appreciate that because it's very important to people in Manitoba. We have 11,000 children in care, and that's a large population that certainly needs our support here at the federal level in any way we can provide it.

My final comment and question is this. I was very pleased with the budget. I spoke in the House on the investments for indigenous peoples—a 27% increase in investments over the lifetime of our government. It's incredible, even for aboriginal languages. Could you discuss that and talk about why you decided to go down that route and why it's important?

**Hon. Bill Morneau:** Thank you for that opportunity to comment on a continuing area of focus of our government. We believe that we need to be working to have a much better situation for indigenous people in this country. We know that through nation to nation dialogue we can improve the situation. We know that it can really only be fully improved if we put the funding required to make a difference over the long term. In thinking about the places where we've made funding, and thinking about education, and infrastructure—in the course of this year's budget it's the biggest single issue—and thinking about how we can make sure we can deliver health care to indigenous peoples on reserve, we know that all of these things are critically important to address if we really want to have a better situation for what, after all, is a critically important part of our country. It also is critically important that we have higher graduation rates of indigenous peoples and better workforce attachment by them, and we can only do it with the kind of investment that will have those outcomes as possibilities. That's what we're committed to doing. It's a long-term discussion, and we're going to remain focused on this area.

**The Chair:** Thank you both.

Mr. Dusseault, you have time for one question, and then we'll bounce back to Mr. Grewal for the final one.

[*Translation*]

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

I have a question about a fairly complex subject, the Income Tax Act.

The Prime Minister, the previous parliamentary secretary, and you, yourself, Mr. Morneau, have repeatedly called the Income Tax Act overly complex, saying that the rules needed to be simplified to make them easier for Canadians to understand. That is not the case today. It is one of the most complex pieces of legislation out there, and the average Canadian cannot make sense of it. Nevertheless, no one is supposed to flout the law; everyone has to pay taxes even if they have trouble understanding the act.

I repeat, you have frequently said that the act was too complex and in need of simplification. I would therefore like to know where the government's review of the Income Tax Act stands nearly two years into your mandate. When will the government overhaul the Income Tax Act to make it easier for Canadians to understand, as you have recently promised?

● (1630)

**Hon. Bill Morneau:** That is a very important objective for our government. We began by introducing a few measures this year. The caregiver credit is a good example of a measure we have taken to simplify things, but we know that there is still work to do.

Furthermore, we have to find ways to make sure that the system is fair and does what it is supposed to. As I already said, that is why we

chose to earmark more than \$500 million for the Canada Revenue Agency this year.

I am also working with my G7 and G20 counterparts to make sure that our systems are well-positioned so that people pay taxes in the country they are supposed to. We are taking a number of steps at the same time, working to simplify tax rules and seeking out those who try to avoid paying their fair share. Our goal is to make changes to achieve more tax fairness for Canadians.

[*English*]

**The Chair:** Thank you both.

Mr. Grewal.

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

I am the son of a taxicab driver, so on behalf of the taxi community, thank you so much for the tax fairness initiative, changing the definition of a taxi business so that ride-sharing services will also have pay HST and GST. Though my question is not on that, I thought I'd say thank you for it.

My question is on coding. I get an opportunity to speak at a lot of high schools, and a lot of kids are worried about going on to post-secondary education and about the jobs that will be out there tomorrow, because the landscape is changing so rapidly. Our government's made this investment in coding. Can you speak to the benefits that we hope to realize as a nation by ensuring that kids as young as kindergarten are learning to code?

**Hon. Bill Morneau:** Thank you. I will take the opportunity to say that the decision around taxis was purely one of ensuring that, if people are choosing between two cars sitting there, they both pay the same level of tax. It just seems appropriate.

We recognize that coding for young people or developing the skills required for tomorrow for people in multiple sectors of our economy is going to be increasingly important in what will continue to be a fast-changing economy. We know that the kind of dynamism that an economy displays presents challenges, but it also presents exciting opportunities.

You can only realize those opportunities if you have the base set of skills and the opportunity for training that will allow you to be successful. That's the reason we want to start making sure that people have the base set of skills early on. It's the reason, as I mentioned earlier, we want to make sure that the kind of educational approach that we have during people's years at school will allow them to get work while they're being educated. It's the reason we want to make sure that we have an approach to lifelong learning that gives people the understanding of where they should make their personal investments and gives them the capacity to do that through our agreements with the provinces on training.

It's going to continue to be a challenge as the economy changes rapidly, and we want to prepare Canadians for that challenge and turn it into opportunities for people with exciting jobs.

● (1635)

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

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

To close, Minister, I have a question, or perhaps more of a comment.

We've had Dominic Barton and some other representatives from the Advisory Committee on Economic Growth before the committee. We really appreciate their work, though we are not expecting that the government will agree with everything they recommend, for sure. However, as one who comes from the farming sector, I can tell you that that sector is very pleased with that committee's emphasis on the agrifood industry's potential.

My concern is that that the potential is there, but when a whole-of-government approach—and this is not a criticism of Finance—is taken to increase economic growth in one area, another department can hamper that economic growth by new regulations or more paperwork, or whatever.

I'll give you an example. It comes to mind because an individual emailed me about it last night. This is a fairly small farming family of four sons and a mom and dad. On the good agriculture practices, which make a whole lot of sense, as we want to ensure that our food is safe, this is what he said:

When GAP started

—meaning good agriculture practice—

Willie

—who is his wife—

and I did it ourselves for years. Then they started demanding more and more, so I just said to my sons, "If you want to farm you have to do this yourselves." I just could not do it any more. Now my son can't do it alone, so he had to hire someone to help him. It is costing us a fortune. The end result is that we know we can't keep up with all these new rules.

There is a different reality on the farm, and farmers do a pretty darned good job of providing safe food. The reality is, whether it's the Canadian Food Inspection Agency or the Canada Revenue Agency, or any other agency in this town, they don't realize the cost and the time that it takes people on the farm to do paperwork. They're farmers. Yes, you can hire accountants or others to fill it in, but that costs money.

I can give you another example. To fill out an application for environmental protection, where you maybe get \$25,000, it will take a volunteer 30 hours to fill out that one application—28 pages. It just makes no sense. Why can't we simplify stuff to keep it down to a page or something like that?

It's not a criticism of you, but it's a whole-of-government thing. We somehow have to create efficiencies on some of these rules that are not taking away from the ability of a farmer, or a recreational stream group, or whatever, to do their jobs. It sits on a desk here in Ottawa for a week or two. I often say that Ottawa is a bubble without reality, and I firmly believe that.

Anyway, my point is that I think the cabinet, you as minister, on these good proposals you may have to attain economic growth, we have to ensure that on the other side of the equation, another department or another agency from the federal government or provincial government is not hampering the ability to achieve that economic growth that you, through your programming, are trying to attain.

That's my point.

Okay, thank you all for your questions. Thank you, Minister and Deputy, for your appearance.

We will suspend for a few minutes and then come back with the officials.

The meeting is suspended.

• (1640)

(Pause)

• (1645)

**The Chair:** We'll reconvene and welcome to the table the departmental officials: Mr. Meyers, chief financial officer; Mr. Jovanovic, general director, tax policy branch; Mr. Purves, general director, federal-provincial and social policy branch; and Mr. Recker, director of the fiscal policy division, economic and fiscal policy branch. Welcome.

I believe, Mr. Meyers, you have a brief statement, and then we'll see who has questions.

Welcome, and thank you.

[Translation]

**Mr. Christopher Meyers (Chief Financial Officer, Corporate Services Branch, Department of Finance):** Good afternoon, Mr. Chair.

As the Chief Financial Officer, I am the lead official responsible for preparing the financial reports and presenting the main estimates 2017-18 for the Department of Finance.

Joining me today are officials who will help me provide a more complete picture of the policy supporting the figures in this document. The main estimates 2017-18 list the total budgetary requirements at \$90.1 billion for the Department of Finance Canada, meaning \$90 billion in projected statutory expenditures and \$89.3 million in voted appropriations.

Those statutory items are included in the main estimates for information purposes and they will not be in the appropriation bill.

[English]

The 2017-18 main estimates of \$90.1 billion are \$679.8 million higher compared to the 2016-17 main estimates of \$85.9 billion, due to an increase of \$681.3 million in statutory items, offset by a \$1.5-million decrease in voted amounts.

Within the statutory forecast, the major contributing factors to the \$681.3-million increase are as follows: a \$1.1-billion increase in the Canada health transfer, reflecting the minimum 3% legislated growth rate for 2017-18; a \$400.4-million increase in the Canada social transfer, reflecting the 3% legislated annual increase; a \$373.2-million increase in fiscal equalization to reflect the 2.09% gross domestic product-based escalator being applied to the 2016-17 level; a \$145.5-million increase in territorial financing as a result of new and updated data used to calculate territorial expenditure requirements and revenue capacities entering the formula; a \$528-million decrease in other interest costs due to a decrease in the average Government of Canada long-term bond rate, which is used to calculate interest on the public sector pension obligations pertaining to service pre-April 1, 2000, debt; and a \$764-million decrease in interest on unmaturing debt to reflect private sector economists' expectations from the 2016 fall economic statement projections.

The decrease of \$1.5 million in vote 1, program expenditures, is mainly due to a decrease in funding for time-limited budget 2015 initiatives, totalling \$1 million, and budget 2016 reductions to professional services, advertising, and travel, totalling \$0.5 million.

This concludes my overview of the main estimates. I would be pleased to address any questions the committee may have.

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

Members have before them the document with the points that Mr. Meyers outlined in part II of the main estimates.

We'll try to limit it to five-minute rounds, and we'll start with Mr. Ouellette.

**Mr. Robert-Falcon Ouellette:** Thank you very much, Mr. Chair.

I very much appreciate your coming here to speak on such a wide-ranging topic. I'm sure it must be very difficult to be prepared for every eventuality and every different type of question. I'm going to start with one that was suggested.

The Department of Finance "Departmental Plan 2017-18" mentions that "[c]ybersecurity incidents and failures in supporting systems have been identified as risks that could cause serious disruptions and affect the Department's ability to execute critical government operations". What amounts, if any, are being requested to address cybersecurity risks within the department, and what policies or measures has the department implemented in order to address cybersecurity incidents or failures in supporting systems?

• (1650)

**Mr. Christopher Meyers:** The department takes cybersecurity very seriously. There are a number of existing functions within the department that are dedicated to maintaining the security of the department from an IT perspective. With respect to information technology services more specifically, there are 26 full-time equivalent employees working in that particular area. They deliver information technology services within the department. Within that envelope, totalling about \$2.5 million in salary, are the individuals who would be dedicated to, among other things, maintaining the security of the department and the security of the department's information.

**Mr. Robert-Falcon Ouellette:** We've also heard quite a bit in the news about surveillance in the local areas around Parliament Hill. Do

you believe and can you guarantee that your information is 100% secure?

**Mr. Christopher Meyers:** Speaking as an accountant of the department, I would say it's not exactly my speciality. I do know, though, that there are a number of qualified individuals working within the information technology group, both within the department and also within Shared Services Canada and other security-based agencies, who are committed to the security of the department's information. Beyond that, I wouldn't be qualified individually to speak to the security of information technology within the department.

**Mr. Robert-Falcon Ouellette:** I also would like to talk about domestic coinage, the Royal Canadian Mint. We had a change in the Royal Canadian Mint Act. Its voted statutory funding for purchase of domestic coinage has increased by about \$8 million because they couldn't anticipate profit from the provision of coins for circulation.

Is there a possibility of moving towards a \$5 or \$10 coin at some point in order to reduce the costs of the Royal Canadian Mint? Obviously, it's not a priority of our government to be subsidizing or giving more funds to the Royal Canadian Mint, but is there a way that the mint can save more money?

**Mr. Christopher Meyers:** I'm not aware of any specific deliberations with respect to other denominations of coins. What I can say is that there is historical precedent with respect to removing coins from circulation such as in the case of the penny, which was designed to reduce costs with respect to penny production.

The comments you made earlier with respect to the \$8-million increase in domestic coinage costs for 2017-18 is more of a reflection of adjustments to the Royal Canadian Mint Act that put back into place certain provisions that would ensure that the mint itself could generate enough profit to sustain operations.

**Mr. Robert-Falcon Ouellette:** Thank you very much.

I just want to talk very quickly about the Office of the Superintendent of Financial Institutions. Sorry to jump around again.

**The Chair:** I see that somebody from that office is here. If they want to come to the table as well, they are welcome. If a question is asked that's related to your area of expertise, just pull up a chair.

Go ahead, Robert. Sorry.

**Mr. Robert-Falcon Ouellette:** I was just wondering if you could talk a bit about the estimates and what your office does and why you're requesting, obviously, additional funds.

**The Chair:** Michele Bridges is the managing director of finance and corporate planning. Go ahead.

**Ms. Michele Bridges (Managing Director, Finance and Corporate Planning, Office of the Superintendent of Financial Institutions):** Good afternoon. Thank you for your question.

The Office of the Superintendent of Financial Institutions is responsible for regulating and supervising deposit-taking institutions; insurance companies, both life insurance and property and casualty insurance companies; as well as private pension plans that are in the federal jurisdiction. Basically it's organizations that span multiple provinces, such as the airlines or the rail companies as well as first nations' plans.

Our main estimates have a statutory voting component as well as a parliamentary appropriation. The parliamentary appropriation is a flat amount across the main estimates planning horizon, and that money is utilized by the office of the chief actuary, which provides services both for actuarial evaluation as well as advisory services to a number of benefits plans and pension plans across the federal government. It's also used for non-statutory purposes to provide services to the Treasury Board for things like public accounts, for example, or the valuation of various other plans such as the judges' pensions plans as well as the plans for MPs.

•(1655)

**The Chair:** Does that answer your question enough, Robert? We're over time, but I want to make sure that you have clarity in that question.

**Mr. Robert-Falcon Ouellette:** It's okay.

**The Chair:** Okay.

The bells are ringing. There's a motion in the House. It's a 30-minute bell. We're probably down to 27 minutes, so we can go here for about seven or eight minutes. We'll watch the time. Are people okay with that?

**Some hon. members:** Agreed.

**The Chair:** Mr. Deltell.

**Mr. Gérard Deltell:** Thank you, Mr. Chair.

[Translation]

Madam, gentlemen, welcome to your House of Commons.

[English]

I am very pleased to address some questions to you, because I appreciate that everybody will recognize that we have some people here who rank very highly among civil servants, and especially the Minister of Finance. This is a huge issue for everybody. We're talking about billions of dollars. The last budget was \$330 billion. We need strong people to address that, strong people to be sure that everything is going well, and we are very pleased to have those kinds of people in our civil service.

What you tabled a few minutes ago about the projections for this budget was very interesting, but I would like to go back to last October when the Department of Finance published a report on the reality of the situation of the public finances. In that report—and I have talked about it many times in the House of Commons, in interviews, and everywhere I go—there is key information, very important information, on page 14.

First of all, just to be sure we're talking about the same report, it's one that was tabled to the Minister of Finance on October 10. On page 14, this report expressed real concern—by our side and I hope by everybody in Canada—about the future of the administration of

this country. If nothing changes, we will have zero deficit in 2055 and we'll have to address debt of \$1.5 trillion in 2050.

Those figures, those numbers, came from a report made by the civil servants of the finance department, and we are very pleased to welcome you guys to our committee.

First of all, I would like to know why the Minister of Finance would publish that kind of report.

**Mr. Brad Recker (Director, Fiscal Policy Division, Economic and Fiscal Policy Branch, Department of Finance):** I'm Brad Recker from the fiscal policy division. We published that kind of a report to test or take a long-term view of the fiscal sustainability of the Canadian federal government. I think the key conclusion of that report is that the fiscal plan, if left to certain assumptions over the long term, is fully sustainable.

**Mr. Gérard Deltell:** For sure, it's quite a subject when we say, "It can walk. It can run." For sure, if we do agree to have huge deficits and huge debt without a plan to get to zero deficit, maybe it's acceptable. But I can tell you that as a citizen, I do not accept that and I'm very concerned with this reality.

My other question is how do you get to this number? As you know, I have asked the Minister of Finance many times in the House, and a few minutes ago here in this committee, when Canada will get back to zero deficit. He can never give a clear answer. I asked for a date. He didn't answer. I asked for a horizon for the long term, short term, medium term, or I-don't-know-what term. He gave no answer at all.

So how can you civil servants evaluate that we'll get back to zero deficit in 2055? Let me remind everybody here that that will be 36 years later than the target established during the campaign by the actual government.

**The Chair:** There are certain questions, I know, that are within your purview to answer, and there are certain questions that, within your purview as civil servants within the department, you can't answer.

I'll leave you that prerogative as to how you want to answer this.

Mr. Recker.

•(1700)

**Mr. Brad Recker:** I would just say that those are simply long-term projections based on, as you say, almost heroic assumptions with respect to long-term spending and everything growing essentially at the rate of growth of the economy. They're not projections of the current fiscal plan of the government. That's what I would say.

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

Mr. Deltell.

**Mr. Gérard Deltell:** I have a maybe softer question. I recognize that my question was based on a very political vision. I do recognize that, but it was just a technical question as to how you could get those numbers.

I will go back to that without any political comments but just a technical question. How many times do you do that in a year? Is it a habit or a custom to produce that kind of evaluation every year, or do you produce it when the government asks you to do so?

**Mr. Brad Recker:** It's an annual publication.

**Mr. Gérard Deltell:** Is it always at the same time in October?

**Mr. Brad Recker:** It's typically in the fall, yes.

**Mr. Gérard Deltell:** Okay.

**The Chair:** You have time for one quick question.

**Mr. Gérard Deltell:** This is the last technical question.

As we all know, the minister of Finance published it on December 23, a few hours before Christmas. Is that the way to do so usually?

**Mr. Brad Recker:** It's typically in the fall and after the fall update. We've only been publishing it for three years, I think.

**Mr. Gérard Deltell:** Okay.

**The Chair:** I was told, Gérard, that the official critic for the official opposition wanted some reading for Christmas Eve.

Pierre, the floor is yours.

[*Translation*]

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

My thanks to all the witnesses for being here today.

I would first like to talk about the statutory items. We will not be asked to vote on them, but they are still included in the main estimates for information purposes.

In your introduction, you said that you were expecting a decrease of \$734 million in interest on unmatured debt, due to a downward revision of interest rates. Thanks to the documents from the Library of Parliament—whose employees I thank—we see that the projected amount of interest on unmatured debt for 2017-18 is \$14.924 billion. Could you elaborate on that for the benefit of Canadians? An amount of \$15 billion will be spent over this fiscal year that just started. Who will receive those amounts? That's interest. So we are talking about institutions that lend the money to Canada. Interest is paid to them, but is there a way for Canadians to find out who actually gets that money, the \$15 billion per year for the interest on the debt?

[*English*]

**Mr. Christopher Meyers:** If I understood your question the right way, you were asking who would be the recipients of these interest payments that are presented in the main estimate documents.

The line item for interest on mature debt, which, as you point out, is approximately \$15 billion, is a reflection of interest we will pay out on un-matured debt. That would be Government of Canada bonds, treasury bills, real return bonds, and other market-based instruments. The ultimate recipients of those interest payments would be holders of those instruments and securities.

[*Translation*]

**Mr. Pierre-Luc Dusseault:** So it's the holders of securities, if I understand correctly. Are Canadian financial institutions among those security holders?

[*English*]

**Mr. Christopher Meyers:** In the context of this particular line item that shows disbursements related to unmatured debt, I would imagine that, if financial institutions are holding some of those securities on their balance sheets, they would be a recipient of these interest payments as well.

[*Translation*]

**Mr. Pierre-Luc Dusseault:** Thank you for your answer.

I'll move on to another question. Mr. Jovanovic, a little earlier, I talked to the Minister of Finance about reviewing the Income Tax Act. The minister had repeatedly said that he wanted to review that act. Over the past year, we have reviewed the tax expenditures, which has led, by my count, to nine promises to amend the Income Tax Act in the budget implementation bill.

However, aside from the tax expenditures, what work is being done on the Income Tax Act? Are there amounts in the main estimates for the review of the tax code in order to simplify it, as reiterated by the Minister of Finance and the Prime Minister, who think the act is too complex?

• (1705)

**Mr. Miodrag Jovanovic (General Director, Tax Policy Branch, Department of Finance):** In order to answer that question, perhaps I can briefly turn to last year's review of the tax expenditures.

That was basically done within the Department of Finance. It is part of the Department of Finance's routine work. The expenditures for that are therefore part of the Department of Finance's normal budget, because it's our job to address those issues.

In 2016, the government looked at all the tax expenditures. We looked at all the tax bases, the corporate tax, the personal income tax and the sales taxes.

We also called on a group of experts. Seven experts laid out a particular vision so that we can see the big picture for those issues.

That's basically part of the department's routine work. So they are our department's funds.

**Mr. Pierre-Luc Dusseault:** Okay.

I also have a question about the numbers, which seem quite surprising to me.

In the main estimates, we see that we spent \$1 billion in 2015-16. In terms of the voted appropriations, we spent \$98 million in 2016-17, and we expect to spend \$89.3 million in 2017-18.

Mr. Meyers, could you tell me why the voted appropriations have decreased over the years?

[*English*]

**Mr. Christopher Meyers:** Thank you for the question. I'll answer in English.

First, I'll start with the figure for the estimates to date figure. That's the \$98 million, compared to the request in the 2017-18 main estimates of \$89.2 million.

The decline that you see there is a function of a number of different items. The first is related to the items I mentioned in my opening remarks. There were two initiatives coming out of budget 2015 totalling \$1 million. These were time-limited funding items that are falling off in 2017-18.

Also, in the prior year, we had a funding program with respect to Harbourfront Centre, totalling \$4 million, and since last year's estimates, that program has been transferred to the Department of Canadian Heritage. That expenditure does not need to appear in our 2017-18 main estimates, nor should it.

We also had \$1.5 million in government advertising that was a component of total estimates to date in 2016-17. Combined, I would say that those are the major factors leading to the decline year over year from estimates to date of \$98 million for last year compared to the opening figures for 2017-18.

[Translation]

**Mr. Pierre-Luc Dusseault:** If I understood correctly, you have reduced the advertising budgets.

Is that correct?

[English]

**Mr. Christopher Meyers:** The main estimates for 2017-18 as you see them here do not include any amounts for advertising. That is not unusual. To the extent that they are decided on, those amounts typically come through later in the expenditure cycle, in supplementary estimates (B) or (C), so that would be something that you might be looking at down the road.

[Translation]

**Mr. Pierre-Luc Dusseault:** Okay. Thank you.

[English]

**The Chair:** I thank you both.

If we can get away with one question from the government side and one from the official opposition, we can then let the officials go. Then we'll come back to vote on the Department of Finance's main estimates, and then deal with a couple of items of committee business.

Are we okay with that?

If you're not, just say so, and we will hold the officials here. Does anybody have a question?

Mr. Sorbara.

• (1710)

**Mr. Francesco Sorbara:** On the calculation of interest expenses, you have two points. There is a decrease of \$528 million under other interest costs, and a decrease of \$764 million in interest on unmatured debt. Those are based on the assumptions in the fall 2016 economic statement.

**Mr. Christopher Meyers:** That's right.

**Mr. Francesco Sorbara:** Obviously, we're not involving [Inaudible—Editor].

**Mr. Christopher Meyers:** Right. I think it may be important to understand how this document gets put together and when, vis-à-vis budget 2017 or the annual budget.

The main estimates are produced prior to the tabling of the annual budget. We have to draw a line in the sand in terms of what projections and inputs we're using. Given production deadlines on the mains, the previous public fiscal projection at that time was the 2016 fall economic update. Subsequent adjustments to reflect assumptions that were made in budget 2017 will be seen in supplementary estimates (B), for example, which are typically the first supplementaries of the Department of Finance.

**Mr. Francesco Sorbara:** But not until November, according to the calendar.

**Mr. Christopher Meyers:** That would be correct.

**Mr. Francesco Sorbara:** Okay. I'll stop there.

**The Chair:** Mr. Albas.

**Mr. Dan Albas:** Thank you, Mr. Chair. I certainly appreciate the work that our officials do for our country.

The minister came in earlier and talked about the funding for innovation and skills within the budget. Obviously, there may be some new initiatives that are not going to be in the estimates just because of the timing and whatnot.

Is that correct?

Okay.

The Institute of Fiscal Studies and Democracy put out a report about a month ago in regard to the money that goes out the door, about \$23 billion for innovation and skills. Does that come under this pocket of money under the main estimates, or is that through a different budget?

**Mr. Christopher Meyers:** In general terms, what you see in the Department of Finance's estimates are the main federal-provincial transfer payments and the interest expenses on mature debt. Those are the high-profile items that you see in our estimates. Any expenditures with respect to the areas that you're speaking of would likely appear in other departments, departments that are charged with implementing those programs.

**Mr. Dan Albas:** Even EI funds for retraining and whatnot would come under a different pocket of money?

**Mr. Christopher Meyers:** That would, yes.

**Mr. Dan Albas:** Obviously, the largest increases here, as shown on the back end of the estimates, have to do with the health transfer, social transfer, and whatnot. Again, the Canada health transfer is based on long-standing agreements that were renegotiated, I believe. The new bilaterals, or the new approach by this government, are not accounted for in the main estimates at this time?

**Mr. Glenn Purves (General Director, Federal-Provincial Relations and Social Policy Branch, Department of Finance):** That's correct. The Canada health transfer, as you say, is formulaic, as is the Canada social transfer. Based on the.... I think you're referring to the health agreements that have been made with the provinces....

**Mr. Dan Albas:** Yes.

**Mr. Glenn Purves:** Those amounts are not reflected in the main estimates.

**Mr. Dan Albas:** Okay, do we have an idea of when we will expect those to come in with supplementaries (A) or (B)?

**Mr. Christopher Meyers:** I think it would be a function first of when the necessary legislation and authorities come into place. Typically, any adjustments after those authorities are in place would be supplementary estimates (B), or possibly (C).

**Mr. Dan Albas:** So we probably won't see some of these new health accords and the transfers associated with them until much further into the fiscal year?

**Mr. Christopher Meyers:** That's correct.

**Mr. Dan Albas:** I think that's it for my questions, Mr. Chair.

I just have one quick one on FINTRAC. How much time and energy does the Department of Finance spend supervising FINTRAC and watching how it works? Who's the representative for FINTRAC on these estimates?

**The Chair:** Mr. Cousineau, go ahead. Did you hear the question?

Ask it again, Dan.

**Mr. Dan Albas:** No, I just asked to see if we had someone here for it.

We've conducted a housing study. I'm not sure if you're aware of it. There were many different groups here, including the Minister of Finance, I believe. Was the Bank of Canada here? I believe CMHC was as well. When we talked about cash payments for purchases of homes and whatnot, and the sharing of data, there seemed to be absolutely no one in the room who had any understanding of what FINTRAC does in that regard.

Now, is that information-sharing part of FINTRAC's mandate? Currently, do the estimates you have here help to supply that data sharing? There do seem to be some gaps in inter-agency sharing of information when it comes to our housing markets.

• (1715)

**Mr. Stéphane Cousineau (Deputy Director, Corporate Management Services Sector and Chief Financial Officer, Financial Transactions and Reports Analysis Centre of Canada):** Thank you, Mr. Chair.

I just want to clarify your question. Are you asking about the collaboration we have with Finance in terms of the information sharing—

**Mr. Dan Albas:** Yes, because all the other agencies seemed to have no understanding of what information FINTRAC collects, for example, through a real estate agent on cash sales, etc.

**Mr. Stéphane Cousineau:** Obviously, under our act there are specifics around the kind of information that we can actually obtain

from the different reporting entities. We deal with 31,000 entities, and transactions, as you know, that are beyond \$10,000 in value. We get millions of transactions like this year over year. We also get information from those entities when it comes to suspicious transactions, and things like that. We do have collaboration with—

**Mr. Dan Albas:** I totally understand the suspicious issues, and I'm happy to see that those are being looked at. What I'm talking about is that there's a lot of data, and in much of the policy decision-making that is done in the area of housing, none of it seems to mention FINTRAC's role in collecting some of that data. Are there restrictions on that data that do not allow you to pass it on to groups like CMHC so they can have a better snapshot of some of our housing markets?

**Mr. Stéphane Cousineau:** We have specificity around whom we can disclose to, and we don't disclose to the CMHC, only to the regime partners who are identified in our act. The RCMP is an example. CSIS is another example. If you want further details, I'd be pleased to get back with further information on that.

**Mr. Dan Albas:** Sure, I would appreciate that. There are also some concerns about the implementation of credit unions and whatnot, but maybe we'll save that for another day.

Thank you, Mr. Chair.

**The Chair:** We will have to suspend. We will come back to vote on the main estimates of the Department of Finance and to deal with some committee business.

I thank the officials. We might possibly call, and reserve the right to call, somebody if a specific question comes up, but as far as this hearing is concerned, you're released for today. Thank you very much.

The meeting is suspended.

• (1720)

\_\_\_\_\_ (Pause) \_\_\_\_\_

• (1740)

**The Chair:** We're back to order.

Ron, on your question on grain tickets on page 210 in the budget document, this is what it says:

The income tax rules provide a deferral in respect of deferred cash purchase tickets issued for deliveries of certain listed grains. Given changes in the grain marketing regime in Canada, the Government is conducting a public consultation regarding the ongoing utility of this income tax deferral.

So there are consultations, and I'll just give you my review quite bluntly. It's a current practice that allows farmers to defer income based on a marketing situation that may cost them to receive two or three years sales of crop in one given year due to marketing conditions that they have no control over, and regardless of whether the regime for marketing has changed or not, that issue still exists.

You know where I stand on the issue. They can do their consultations, but I'm strongly opposed to changing that policy.

**Mr. Ron Liepert:** I appreciate that. The information that I saw was that it had been changed versus consultation, so I'm pleased with that.

Thank you.

**The Chair:** On the estimates, we have five votes to make. I think you have the estimates paper before you.

Shall vote 1 under the Department of Finance, less the amount granted in interim supply, carry? The amount is \$66,960,447.75.

Shall vote 5 under the Department of Finance, less the amount granted in interim supply, carry in the amount of \$.75?

DEPARTMENT OF FINANCE

Vote 1—Program expenditures.....\$89,280,597

Vote 5—Authority for amount by way of direct payments.....\$1

(Votes 1 and 5 agreed to on division)

**The Chair:** Shall vote 1 under the Financial Transactions and Reports Analysis Centre of Canada, less the amount granted in interim supply, carry in the amount of \$34,457,116.50?

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA

Vote 1—Program expenditures.....\$45,942,822

(Vote 1 agreed to on division)

**The Chair:** Shall vote 1 under the Office of the Superintendent of Financial Institutions less the amount granted in interim supply carry in the amount of \$780,793.50?

OFFICE OF THE SUPERINTENDENT OF FINANCIAL INSTITUTIONS

Program expenditures.....\$945,058

(Vote 1 agreed to on division)

**The Chair:** Shall I report vote 1 and vote 5 under the Department of Finance, vote 1 under the Financial Transactions and Reports Analysis Centre of Canada, and vote 1 under the Office of the Superintendent of Financial Institutions, less the amount granted in interim supply, to the House?

**Some hon. members:** On division.

**The Chair:** Just to inform people, we won't report that until we hear from the Canada Revenue Agency as well, and we'll do the two together.

We have a number of motions that we need to deal with, and I expect that people want to deal with them in public. We can deal with them in camera, but we probably should give them to the clerk so that during the two-week break, the library can work on what it would cost to do our pre-budget hearings this fall, the travel of the

committee, and so on. We need to do that in camera. Can we go into camera first, deal with that, and then go public?

• (1745)

**Mr. Dan Albas:** I think we should go in camera.

**The Chair:** We've agreed to go in camera.

[*Proceedings continue in camera*]

• (1745)

(Pause)

• (1805)

[*Public proceedings resume*]

**The Chair:** We'll reconvene.

Do you want to lift your motion, Pierre, and see if we can finish it in this session before we go to votes? Then we'll adjourn until Wednesday.

[*Translation*]

**Mr. Pierre-Luc Dusseault:** I moved a motion at the end of March regarding the Minister of National Revenue's response to the report on tax evasion. In her response, she promised to take a number of measures by March 31. My motion is quite simple. It asks the minister to appear and testify on the progress she has made on the measures she promised to take in her response to our report.

The minister promised to take a number of measures, which are listed in my motion. I will not read the motion, because I have already introduced a notice of motion. We want the minister to come and talk about the four or five items outlined in my motion. I don't have the details here, but she had promised to take measures by March 31. It is now April 10, so it would be appropriate for the committee to invite the minister to come and tell us about the progress she has made to that end. My motion is quite clear on the issue. It also mentions a two-hour meeting with the minister.

[*English*]

**The Chair:** I have the motion, and you have moved it.

Can those questions be asked when she's here for the estimates?

She hasn't been here for the estimates yet, has she?

**The Clerk of the Committee (Ms. Suzie Cadioux):** No.

**The Chair:** You think about that—

[*Translation*]

**Mr. Pierre-Luc Dusseault:** That's something I wanted to mention. We could take advantage of her appearance on the main estimates to ask her questions, in the second hour, about her response to our report. If the members of the committee support my motion, we could take a full hour to hear what the minister has to say about her response to our report and the progress she has made to that end.

[*English*]

**The Chair:** You can ask pretty well whatever when you're dealing with estimates anyway.

Mr. Sorbara.

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

I'm looking at Mr. Dusseault's motion. I'd like to propose an amendment to his motion.

Mr. Chair, can I go ahead?

**The Chair:** Yes, go ahead.

What section of the motion?

**Mr. Francesco Sorbara:** It will be the last paragraph, the last sentence of his motion.

**The Chair:** Okay. Read it.

**Mr. Francesco Sorbara:** The new sentence would include the words "in writing", and read as follows:

That the Committee invite the Minister of National Revenue to report in writing on the progress made on her commitment in response to recommendations 1, 3, 8, 9 and 14 set out in the Sixth Report of the Committee.

The remainder of the sentence, "during a meeting of at least two hours", would be deleted.

**The Chair:** I'm not sure. I'll ask for direction on this.

Does that change the intent of the motion? What's the clerk's ruling?

Mr. Dusseault.

**Mr. Pierre-Luc Dusseault:** I don't think it's useful. I could have written Order Paper questions if I had wanted a written answer.

**The Chair:** That may be your view on his amendment, but I'm wondering if it is a legitimate amendment.

Dan.

**Mr. Dan Albas:** Thank you, Mr. Chair.

I would argue that it would substantially change the nature of it. It seemed to me that Mr. Dusseault's original premise was to bring accountability and to have updates to members of Parliament versus in a written format where it is less organic and where good questions can be put.

**The Chair:** Do you have any judgment on this, Clerk?

The amendment is in order.

You've moved an amendment, and you've heard my point on the estimates as well—it can still be asked, I guess.

Dan, you made a point on the amendment. You think...having the minister here to raise questions.

Pierre.

• (1810)

**Mr. Pierre-Luc Dusseault:** I will repeat my point that it potentially changes the motion itself.

If I had wanted a written answer, I would have written an Order Paper question instead of moving a motion in front of this committee. I don't agree with the amendment. If I had wanted her to answer in writing, I would have written a letter to her and asked for an answer. The support of this committee is not needed to write letters to ministers. I can write one on my own and wait for the answer.

I want the minister to come here and be accountable for the deadline she accepted in her answer to our report, so that we can make sure that she's doing what she promised to do for us parliamentarians, members of the committee. I don't accept the amendment.

**The Chair:** Dan, did you have another point you wanted to raise?

**Mr. Dan Albas:** No, I'm happy with the debate.

**The Chair:** Does anybody over here wish to speak?

The question is on the amendment. Do you want it recorded?

**An hon. member:** Yes.

**The Chair:** We will have a recorded vote on the amendment.

**Mrs. Sylvie Boucher (Beauport—Côte-de-Beaupré—Île d'Orléans—Charlevoix, CPC):** We have three minutes now to get to the vote in the House.

(Amendment agreed to: yeas 5; nays 4)

(Motion as amended agreed to)

**The Chair:** We will request that—and as I said, the minister will be before us on the estimates.

I don't think anybody wants to come back to deal with the other motions tonight, so we'll see you on Wednesday.

The meeting is adjourned.







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