



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

## **Standing Committee on Finance**

---

FINA • NUMBER 097 • 1st SESSION • 41st PARLIAMENT

---

**EVIDENCE**

**Monday, December 3, 2012**

—  
**Chair**

**Mr. James Rajotte**



## Standing Committee on Finance

Monday, December 3, 2012

•(1605)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** I call this meeting to order. This is meeting 97 of the Standing Committee on Finance. Our orders of the day, pursuant to Standing Order 81(5) supplementary estimates (B), 2012-13, votes 5b and 25b under finance, referred to the committee on Thursday, November 8, 2012.

We have a number of officials here from the Department of Finance. We are starting about a half hour late, and we appreciate the patience of the officials today. We had a vote in the House. So I'm recommending we go to 5 p.m. If we have further questions, we can decide what to do at that time.

I understand, Ms. Harrison, that you have an opening statement on behalf of all the officials. I'll ask you to do the opening statement, Sherry Harrison, assistant deputy minister, corporate services branch.

After that, we'll have questions from the members.

[Translation]

**Ms. Sherry Harrison (Assistant Deputy Minister, Corporate Services Branch, Department of Finance):** Good afternoon, Mr. Chair.

My name is Sherry Harrison and I am the Assistant Deputy Minister responsible for Corporate Services at the Department of Finance. With me today are officials to assist in responding to your questions on the 2012-2013 supplementary estimates (B) for the Department of Finance.

These supplementary estimates reflect an increase in departmental spending of \$238 million. It is important to note that \$230 million relates to statutory items that have already been approved by Parliament through enabling legislation. These statutory items are displayed in the supplementary estimates (B) for information purposes and will not be included in the appropriation bill.

[English]

Within the statutory forecast the contributing factors to the \$230 million increase are as follows: \$1.166 billion decrease in interest on unmatured debt to reflect provisions of forecasted interest rates by private sector economists; \$28 million decrease in other interest costs due to revision downward in the average long-term bond rate; \$13.5 million decrease in additional fiscal equalization to Nova Scotia; \$2.9 million decrease in youth allowance recovery payments from Quebec; \$22.3 million decrease in recoveries of alternative payments for standing programs; \$733 million increase in payments

to the Province of Quebec regarding sales tax harmonization; and \$679.7 million in additional fiscal equalization payments total transfer protection to provinces related to the equalization program.

New funding requirements for vote 1 of \$1.1 million consist of reprofiles from last year, including the 90 Elgin Street crown site redevelopment project of \$179,000; maintaining the strength of Canada's financial system, \$588,000; Proceeds of Crime (Money Laundering) and Terrorist Financing Act litigation with the legal profession, \$200,000; and the Toronto waterfront revitalization initiative, \$179,000. These new requirements are entirely offset by funding available within vote 1 due to savings identified as part of the budget 2012 spending review.

The new funding requirements of \$9.9 million in vote 5 grants and contributions are in support of the Toronto waterfront revitalization initiative. A total of \$1.4 million available within vote 1 is being transferred to vote 5 to offset these funding requirements, resulting in a net increase of \$8.6 million in vote 5.

The \$1.4 million consists of a \$1.2 million reprofile of tax policy GST technical issues funding to next year, as well as \$191,000 for savings identified as part of the budget 2012 spending review.

[Translation]

We would be pleased to address any questions that the committee may have on the expenditures in these supplementary estimates.

**The Chair:** Thank you very much for your presentation.

[English]

We will begin members' questions with Ms. Nash, for five minutes, please.

**Ms. Peggy Nash (Parkdale—High Park, NDP):** Thank you, and thank you to all of the officials for being with us here this afternoon in place of the minister.

My question is really of a more general nature. I'm wondering if it would be possible for us to get more disaggregated data and more timely information to help us with our decision-making. When we're asked to vote on estimates or budget implementation acts without having all of the details on cost, it makes it very difficult for us to do this, and it's really what we've been doing so far.

I'm wondering if you have any thoughts about how we can improve the system to make more timely information available to us in a more accessible manner.

**Ms. Sherry Harrison:** I am familiar with the recent study on the estimates process. There were a number of recommendations that I believe will address some of the issues you've raised with regard to the timing and release of information, particularly with respect to supplementary information being made available in an electronic format on the websites and such. As officials, we're available to the committee to respond to questions.

Clearly the timing of the budget process and the estimates process is a cyclical one, and it is a challenge to follow the flow of new funding requests into the various organizations.

**Ms. Peggy Nash:** I guess, because this data would probably exist, the question is how we get that in an accessible format and a timely enough manner for us to be able to do our jobs better.

**Ms. Sherry Harrison:** A number of the Department of Finance statutory items that are being reflected in the estimates are bringing the estimates up to date for information that was made available through the tabling of the budget. That's information that's already been out in the domain.

With respect to the operating costs, we can respond to additional information. There are other tables on the Treasury Board website that refer to it by standard object and such.

**Ms. Peggy Nash:** Yet, the Parliamentary Budget Officer was forced to take the government to court to be able to get some of the information that he's been asking for.

I guess it's difficult for us to ask detailed questions when we don't have this information available to us. There have been some best practices proposed by the OECD on budgeting processes, and they would help improve transparency. I'm wondering if the department has been reviewing the whole issue of transparency in order to improve the accountability of the budget process.

• (1610)

**Ms. Sherry Harrison:** I know with the estimates process, I believe Treasury Board Secretariat officials met with committee to talk about the estimates process.

Did you wish to speak on the budget process?

**Mr. Brian Pagan (Director, Fiscal Policy, Department of Finance):** I'm not sure if there's a particular OECD recommendation that you had in mind in terms of best practice, but the Government of Canada is an active member of the OECD and is always looking at recommendations and best practices to improve transparency and the flow of information.

A number of years ago, we moved from a cash budget to an accrual budget, which is considered to be best practice. In the spring of 2009, we introduced a new estimate to the cycle—a spring

supplementary estimate—that was intended to better align Parliament's voting on cash appropriations to budget measures that were introduced in a February or March budget. There were also a number of central votes that were created, which were intended to introduce more transparency, for instance, in terms of how departments were using their operating budgets. That was not only to make that clearer in the estimates, but also, because of a spring supplementary estimate, to get that into hands of departments earlier in the fiscal year so they could actually use the authorities available to them.

**Ms. Peggy Nash:** My time is up, and maybe I'll get a chance later to ask again.

**The Chair:** Thank you.

We'll go to Ms. McLeod, please.

**Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC):** Thank you, Chair.

Thank you, to the witnesses, for waiting while we attended to the votes.

I have a couple of fairly straightforward questions.

One of the new funding requirements in vote 1 is related to the proceeds of crime, the money laundering and terrorists financing litigation. Can you explain the purpose of the spending?

**Ms. Sherry Harrison:** The \$.2 million is a reprofile of funding from last fiscal year to the current fiscal year. The funding will be used to support the department's ongoing litigation with the Federation of Law Societies of Canada to defend the constitutionality of the legislation.

**Mrs. Cathy McLeod:** With regard to my other question, roughly \$700 million of the statutory items and subsidy is related to total transfer protection payments to various provinces. Can you speak to that program, what it does and who it benefits?

**Ms. Sherry Harrison:** Do you want to speak to that, Chantal?

**Ms. Chantal Maheu (General Director, Federal-Provincial Relations and Social Policy Branch, Department of Finance):** With the total transfer protection, the payments are calculated and provided to provinces to prevent any decline in their major fiscal transfer—the sum of equalization, the Canada health transfer, the Canada social transfer, and any protection they received before. For 2012-13, we've protected so as to maintain the level they had in the previous years.

The amount is almost \$700 million, and it's divided among four provinces. There is \$362 million for Quebec, \$13 million for Nova Scotia, \$102.8 million for New Brunswick, and \$201 million for Manitoba. This was enacted through the budget legislation—the Jobs, Growth and Long-term Prosperity Act—in June.

**Mrs. Cathy McLeod:** Is the \$733 million to the Province of Quebec that's related to the sales tax harmonization part of the lump sum piece?

**Ms. Chantal Maheu:** No, it's not part of the total transfer protection.

**Ms. Sherry Harrison:** In March of this year, the Province of Quebec and the Government of Canada entered into a comprehensive integrated tax coordination agreement, what we refer to as a CITCA, whereby Quebec agrees to make a number of changes to the Quebec sales tax in order to harmonize it with the goods and services tax. The government is committed to making payments over a period of time to Quebec. The \$733 million is for implementation of the amended QST.

• (1615)

**Mrs. Cathy McLeod:** The lump sums for the payments to Quebec will be in a different place?

**Ms. Sherry Harrison:** Yes. They're under different statutory authorities.

**Mrs. Cathy McLeod:** Thank you.

**The Chair:** We will go to Mr. Simms, please.

**Mr. Scott Simms (Bonavista—Gander—Grand Falls—Windor, Lib.):** Thank you. It's an honour to be here.

**The Chair:** It's an honour to have you here.

**Mr. Scott Simms:** I'm talking about funding related to government advertising programs. Among the horizontal items, including supplementary estimates—you have both supplementary (A)s and (B)s here—what you see is \$16 million allotted to the Department of Finance. This would be for the economic action plan ads, I'm assuming. There's a little bit here and there in the supplementary (B)s—you have Heritage, obviously because of the 1812 celebrations.

But there were reports done for Finance in both 2011 and 2012. On July 18, 2011, Harris/Decima completed a reported for Finance Canada on the effectiveness of the advertising, and 84% of Canadians had not heard about the next phase of Canada's economic action plan. Of the 13% of Canadians who had heard of it, 61% couldn't or wouldn't recall a single part of that plan. The total expenditure was \$16 million.

Ipsos Reid has said that this year alone more than two-thirds of Canadians never saw any advertising for Canada's economic action plan. Of those who could remember the ads, 23% could remember the phrase, "economic action plan". That's a lot of money for brand awareness that doesn't seem to lead to people being too aware of the term "economic action plan" itself, which apparently is at the forefront of what this plan is all about.

The evidence shows that in 2011 and 2012 the numbers are the same for penetration and brand awareness, but the budget went from \$8.7 million to \$16 million. Something doesn't seem to be right. It's not really working. When you look at this, and you realize that from last year... That's a big sum. Most of it has gone to Finance for the economic action plan—is that correct?

**Ms. Sherry Harrison:** We have received \$16 million in the current fiscal year for EAP advertising. That's correct.

**Mr. Scott Simms:** Yes. And obviously the supplementary (B)s would just talk about things.... Well, what does "Natural Resources" pertain to?

**Ms. Sherry Harrison:** I can't speak for the other departments that are listed for advertising. I can only speak on behalf of Finance.

**Mr. Scott Simms:** Are you prepared to comment and let us...? Do you believe this advertising is effective in any way? How do you gauge effectiveness? Is that why we did the report, based on what Ipsos and the polling firms had to say?

**Ms. Sherry Harrison:** Mr. Chair, could I have my colleague Mr. Catta come to the table to speak to advertising?

**Mr. Jean-Michel Catta (Assistant Deputy Minister, Consultations and Communications Branch, Department of Finance):** As part of our advertising campaigns, we're both required to focus test the ads before they appear and also mandated to evaluate the effectiveness of the campaign afterwards.

**Mr. Scott Simms:** Evaluate with whom?

**Mr. Jean-Michel Catta:** It's like a general survey of the general population, which in essence measures—a little bit to your point—either the awareness or the effectiveness of the campaign.

In terms of the pre-campaign testing, something we hear on a very consistent basis is that participants in these evaluations want to hear about the government's plan. Of course, it's related to the economic situation as we know it.

**The Chair:** We have one minute.

**Mr. Jean-Michel Catta:** It's fragile—there is lots of uncertainty in the U.S. and Europe and so forth. People are asking, in the testing we do—

• (1620)

**Mr. Scott Simms:** Do you have a precise comment about Harris/Decima? In 2011, it said that this is not working. In 2012, Ipsos Reid said much the same.

Is the answer to throw money at it?

**Mr. Jean-Michel Catta:** In the post-campaign research that we've done, we have what's called a recall rate, which is people recalling seeing the ad, and the recall rate is 53%, which is slightly higher than the average of 49%.

**Mr. Scott Simms:** Who said 53%? Who does that?

**Mr. Jean-Michel Catta:** It's part of the research we do. It's like polling.

**Mr. Scott Simms:** But the polling I have here says it's nowhere near 53%.

**Mr. Jean-Michel Catta:** Well, that's one poll.

**Mr. Scott Simms:** But you paid for this report too.

**Mr. Jean-Michel Catta:** I can't speak about these numbers, but in terms of the polling that we do—

**Mr. Scott Simms:** You cannot speak about these numbers?

**Mr. Jean-Michel Catta:** No, I'm not aware of the specifics of this particular poll. What I can speak about is the polling that Finance has done as part of its advertising campaign.

**Mr. Scott Simms:** The polls that I just mentioned are the polls you paid for, the ones with very low recall rates.

**The Chair:** Make a brief response.

**Mr. Jean-Michel Catta:** What I mean here is that generally speaking our recall rates for the advertising campaigns at Finance have been slightly higher than the average of other government campaigns.

**The Chair:** We'll have to move on. We may come back to that.

Mr. Jean, please.

**Mr. Brian Jean (Fort McMurray—Athabasca, CPC):** Thank you, Mr. Chair.

Mr. Catta, on that note, do you have a background in marketing?

**Mr. Jean-Michel Catta:** No, I have a background in communications, but I've been involved in advertising for quite some time.

**Mr. Brian Jean:** In fact, most marketing experts will tell you that there is such a campaign awareness as “top of the mind awareness”. Are you familiar with that phrase?

**Mr. Jean-Michel Catta:** Yes.

**Mr. Brian Jean:** What does the phrase mean to you in relation to marketing?

**Mr. Jean-Michel Catta:** Essentially, again in terms of the testing that we do, there are two things we test. One is what's called unaided recall. Without prompting, we ask people, “Do you remember seeing an ad...?”—on the economic action plan, for instance—and then we see what the response is.

Alternatively we ask, “Do you remember seeing an ad from the Government of Canada?” This testing is generally done shortly after the campaign has run. This is again a way for us to measure the awareness and the effectiveness of the campaign.

**Mr. Brian Jean:** In fact, most large corporations that deal with top of the mind awareness campaigns understand that you don't get media bang for your buck. They are to build a traditional brand that people have confidence in, such as Coca-Cola, General Electric—some of the more recognized brands.

I see you are shaking your head in agreement with me. Is that correct?

**Mr. Jean-Michel Catta:** Yes, absolutely.

**Mr. Brian Jean:** Is that in essence what the Government of Canada...? I have a background in marketing and I saw the ads a lot. It seemed to me that what they were trying to build was confidence in the brand itself and confidence in the ongoing economic action plan.

Is that fair to say?

**Mr. Jean-Michel Catta:** Yes, absolutely. I go back to the economic uncertainty that Canada is currently facing. The main objective of the campaign is to raise awareness of the economic action plan, of the measures and also the benefits that the plan contains, and awareness that Canadians can avail themselves of these benefits.

In essence, it's raising the awareness and also driving people, for instance, to the economic action plan website, which includes

information of all kinds on how to access...first of all, to know what the economic action plan is all about, and also, as I said, for people to know how to avail themselves of the benefits.

**Mr. Brian Jean:** In fact, it sounds like it's working because Mr. Simms has obviously gone to the website himself. It sounds like many members of the Liberal Party have, so it seems obviously the campaign is working.

One of the parts of the action plan, it appeared to me, was that the government wanted to get Canadians to feel confident in their government, that they were actually doing something about this economic crisis in the world. Is that fair to say?

**Mr. Jean-Michel Catta:** I go back to the point I made earlier. Again our research shows—and it's been quite consistent on that front—that people are interested and want to know what the plan is, that they expect the government to have a plan and they want to know the details. Particularly given the economic uncertainty, all the more reason for Canadians to want information about the government's plan.

● (1625)

**Mr. Brian Jean:** In fact, we've heard testimony at this committee time and time again that Canadian corporations are saving up money. They're afraid of investing because of the economic climate in the world. It would appear to me part of this plan seems to be not just to make sure that somebody is in control of the Canadian government and they have confidence in what's going on, but also to encourage companies to invest because the Government of Canada is directly involved. Is that fair to say?

**Mr. Jean-Michel Catta:** Absolutely. At the end of the day, from our perspective here at Finance, it is a multi-purpose campaign in the sense that it's a pretty high-level campaign that tries to address, as you said, the confidence issue, tries to convey information about the action plan and about specific initiatives in the plan so that Canadians can avail themselves of these programs and benefits.

**Mr. Brian Jean:** In fact during—

**The Chair:** Thirty seconds.

**Mr. Brian Jean:** —your communication expertise and your training, you probably became aware of subliminal messaging. In fact many people who see ads don't really see them, but they go in to your mind and they give you confidence in that particular product. Is that fair to say as well?

**Mr. Jean-Michel Catta:** From a Finance perspective, what I would say is that our campaigns are fact based. It is about what the plan is, what the purpose of the plan is, and what the programs and the benefits are.

**Mr. Brian Jean:** Based on your research it has been a success.

**Mr. Jean-Michel Catta:** Based on our research it has been effective.

**Mr. Brian Jean:** Thank you.

**The Chair:** Okay, thank you, Mr. Jean.

*Monsieur Caron, s'il vous plaît.*

[Translation]

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

Thank you to all our witnesses for being here with us. I want to talk about another topic and that is debt.

There are two kinds of debt. There is market debt and non-market debt. I am interested in two elements in particular in the revision in the 2012-2013 supplementary estimates (B). They are unmatured debt and other interest costs.

Were there any changes made to the non-market debt situation? Do these changes appear in the 2012-2013 supplementary estimates (B)?

[English]

**Mr. Brian Pagan:** In these supplementary estimates, for the first time the government is presenting its interest costs against that in two separate ways. The separate statutory presentation of the interest on unmatured debt, which is the outstanding bonds and certificates of indebtedness that have not yet become due, and then a separate entry for other interest costs, which is the interest against our liabilities for public service pension plans and some trust and consolidated specified purpose accounts.

The total interest as reflected in these estimates is \$27.7 billion broken out into these two separate statutory entries. That is a change from the main estimates of \$1,194,000,000, and that change is driven by the changing forecast of interest rates, both short term and long term.

[Translation]

**Mr. Guy Caron:** What you are essentially saying is that, with the new process, non-market debt, such as for pension plans, is accounted for. If major changes to this type of debt had been made, they would have been included in the 2012-2013 supplementary estimates (B).

Is that what you are saying?

**Mr. Brian Pagan:** Yes, that's right.

**Mr. Guy Caron:** All right.

I understand the difference between market and non-market debt. However, in terms of interest rates, is there a significant difference between the two, between short-, medium-, and long-term market debt and non-market debt?

[English]

**Mr. Brian Pagan:** I can share with you what we have in terms of the projection base for interest rates, in both the short term and the long term.

• (1630)

[Translation]

**Mr. Guy Caron:** Is that for market debt?

[English]

**Mr. Brian Pagan:** Oui. At the time of budget 2012 our interest rate projection for short-term interest rates was .93% for the T-bills. For the 10-year bonds it was 2.78%.

[Translation]

**Mr. Guy Caron:** So that is between 2.78% and 2.96%, if I am not mistaken.

Regarding the accounting for non-market debt, what interest rate is used? Do you have an idea of the numbers? You don't use the same interest rates to borrow on the market and to calculate the debt for borrowing on the market for pension funds, for example.

[English]

**Mr. Brian Pagan:** I'm afraid I don't have that information. We would have to try to get back—

[Translation]

**Mr. Guy Caron:** Perfect. I understand.

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

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

**Mr. Guy Caron:** I want to go back again to an estimate for the debt. The Parliamentary Budget Officer's report contains the following passage:

[...] the estimate of the sensitivity to changes in interest rates is based on a permanent increase in all interest rates and excludes the impacts on public sector pension and benefit expenses.

When you estimate sensitivity to changes in interest rates, do you only use market debt or do you also include non-market debt?

[English]

**Mr. Brian Pagan:** Our basis for projecting interest rates is the consensus of private sector economists, and this has been the basis of our projections for almost 20 years I think, going back to 1993-94. So we survey leading private sector economists in the country quarterly and take the consensus of their forecasts and use that as the basis of our budget and our update projections.

In speaking to a previous question about best practice, that has been cited by the IMF and the OECD as a best practice in terms of transparency. So it's not based on internal Department of Finance numbers; it's based on a consensus.

**The Chair:** Thank you.

I have *Monsieur Mai*, *s'il vous plaît*.

[Translation]

**Mr. Hoang Mai (Brossard—La Prairie, NDP):** Thank you very much, Mr. Chair.

I want to continue with what Ms. Nash said, that we are missing a lot of information. I think it is obvious that we need information to make decisions. Also, regarding the process, the Parliamentary Budget Officer asked for information on programs. I can see from the report that 23 departments, including the Department of Finance, did not provide complete information for these. That is in the report on supplementary estimates (B).

Could you explain why the Department of Finance did not provide complete information to the Parliamentary Budget Officer?

[English]

**Ms. Sherry Harrison:** We provided a response with respect to our reductions, in alignment with the government estimates process in the program activity information.

[Translation]

**Mr. Hoang Mai:** I'm sorry to interrupt you. Someone was talking to me at the same time.

[English]

**Ms. Sherry Harrison:** We responded with respect to aligning our response to the program activity architecture of the department, which supports the estimates process. We're here today to respond to the committee's questions on the estimates.

[Translation]

**Mr. Hoang Mai:** Let's go back to the Canada Revenue Agency.

Supplementary estimates (B) show that there are measures that were approved in 2011-2012 and that will only be implemented in 2012-2013.

Could you explain what these measures are and why they were not implemented in 2011-2012?

• (1635)

[English]

**Ms. Sherry Harrison:** I'm sorry, I can't speak on behalf of another department. I can't speak on behalf of the CRA.

[Translation]

**Mr. Hoang Mai:** Okay.

Can any of you speak on behalf of the Canada Revenue Agency?

[English]

**Ms. Sherry Harrison:** I'm sorry. We were asked to come behalf of the department's supplementary estimates.

[Translation]

**Mr. Hoang Mai:** All right. That changes the nature of my questions somewhat.

Let's talk about the money that was spent. Mr. Simms mentioned \$16 million for advertising.

Can you tell us how much was approved beforehand? Why was so much money used for advertising instead of being invested in programs?

[English]

**Ms. Sherry Harrison:** The \$16 million for the Department of Finance was part of supplementary estimates (A). My colleague can speak to the campaigns.

[Translation]

**Mr. Jean-Michel Catta:** The allocation of funds is essentially decided by the privy council and ultimately by cabinet, as it allocates the funds. The money comes from a central government advertising fund. Cabinet allocates this money based on government priorities.

What that means for the Department of Finance in practice is that, in this case, once cabinet made the decision, the department received \$16 million for this year's campaign, as my colleague stated.

**Mr. Hoang Mai:** How much was initially approved for the advertising campaign?

**Mr. Jean-Michel Catta:** As I said, it was \$16 million. That is how much was allocated to the Department of Finance this year for

advertising. The money was to be used for an advertising campaign for the Economic Action Plan.

**Mr. Hoang Mai:** Can you tell us the total overall amount?

**Mr. Jean-Michel Catta:** Yes.

**Mr. Hoang Mai:** What would that amount be? Are we talking about the \$16 million?

**Mr. Jean-Michel Catta:** It is the \$16 million.

**Mr. Hoang Mai:** That is a lot of money when services are being cut and restricted. There are fewer services being provided. We think this is a lot of money invested in advertising instead of in services.

Thank you.

[English]

**The Chair:** I just want to clarify as the chair that, for the economic action plan, the spending was in supplementary estimates (A). With respect to the votes the committee will have to do today, we will not be asked to vote on additional funds for that program.

Am I correct in that?

**Ms. Sherry Harrison:** That's correct.

**The Chair:** Thank you.

Ms. Glover, please.

**Mrs. Shelly Glover (Saint Boniface, CPC):** Thank you, Mr. Chair.

I want to make some clarifications as well.

Perhaps, Mr. Catta, you can help me. I've received a number of letters from constituents over the last several years with regard to how they might take advantage of tax credits that have been put in budgets and how they might take advantage of some of the measures to create jobs. Small business owners in particular have contacted me numerous times with regard to the hiring credit for small business and that kind of thing. Many of them have absolutely no clue on how to access those things. Some are very appreciative of the advertising that's been done.

Have you received any suggestions from opposition parties on how we might educate Canadians if we don't use advertising tools to educate Canadians on how they might benefit from these measures? Have you received any suggestions from opposition parties on how we might do that?

**Mr. Jean-Michel Catta:** No, I haven't received any.

**Mrs. Shelly Glover:** Very good.

As Mr. Jean quite precisely indicated, you said 53% of Canadians indicated that they are familiar with—

**Mr. Jean-Michel Catta:** Or that at least they recalled seeing the economic action plan ad that the department produced.

**Mrs. Shelly Glover:** I think what I heard from Mr. Simms today is that he thinks we ought to have spent more money so that more people are aware. I certainly am glad the advertising is helping Canadians, particularly those who are most vulnerable and those who are attempting to make sure that jobs are created. I thank you for that.



If ever you do get some suggestions, I'm happy to work with the opposition parties, in any way, to make sure Canadians do have the opportunities that are available in the budgets. I throw that out there to opposition members if ever they have any ideas on how to better do this. In the meantime, the \$16 million, I think, is well spent.

Thank you.

• (1640)

**The Chair:** Thank you, Mrs. Glover.

Mr. Marston, please.

**Mr. Wayne Marston (Hamilton East—Stoney Creek, NDP):** Thank you, Mr. Chair. It's a little sooner than I was expecting, but I am ready.

You seem to be in the hot seat today, Mr. Catta, so we'll leave you there for a minute or two.

First of all, I want to start by saying that all the officials here today are doing what they're directed to do by the government of the day, and the work you do is appreciated. We're asking you straightforward questions and maybe verging on political questions; don't take it personally.

I think Mr. Jean hit it dead-on in his interventions with you when he talked about top of mind branding and how the economic action plan helped brand the government. The \$16 million we heard about came from an order in council. For those people at home who won't know, that's a direct order that comes from the government itself. It hasn't gone through the House. It's the government's directive on what to do. You were delivering, and the information you have given back to us, the effectiveness of doing that—even though there was a little debate with Mr. Simms—was the effectiveness of branding the Conservatives.

Now, it may be used in the sense of people talking about the economic action plan, but I will tell you, in my riding people kept asking me why we are spending that kind of money. I am not making that accusation at you because you are doing as you're directed, but because it was raised again by—

**The Chair:** It's through the chair, please.

**Mr. Wayne Marston:** Sorry, Mr. Chair, I tend to get a little excited. For all that, I just wanted to get to that point.

I just received a note that Ms. Nash would like to split time with me and I will always do what Ms. Nash asks.

**The Chair:** You have about three minutes.

**Ms. Peggy Nash:** I will not take advantage of that generous offer.

In response, through you, Mr. Chair, to Ms. Glover, our recommendation was that we add greater transparency to both the budgeting and the estimates process so that Canadians, through their parliamentarians and through the Parliamentary Budget Officer, have the best and most thorough information possible in order to do our jobs.

With that, as I have the floor, I would like to introduce a motion on this subject, given that we have the Finance officials here today. I move that the Standing Committee on Finance ask the Minister of Finance to release to the committee the information that the

Parliamentary Budget Officer has requested on the cuts in his department.

**Mrs. Cathy McLeod:** Chair, I have a point of order. We are here talking about supplementary estimates (B), so I would certainly welcome your decision in terms of whether this is even an appropriate motion to bring forward at this time.

**The Chair:** At first glance, this does not seem to be on the topic of the day. We are dealing with supplementary estimates (B). Maybe Ms. Nash would want to speak to exactly how the motion relates to the business of the day.

If it does relate to the business of the day, it's in order. But if it doesn't, it's not. I'm not seeing, on first glance, how it relates to the estimates before us today.

**Ms. Peggy Nash:** Well, it relates to the business of the day because if we don't have the information from the budget process about how the government intends to spend money, it's difficult for us to determine whether these estimates are in keeping with the specific budget plans of the government.

Given that we have the Finance officials here today and given that it is the finance department that is crucially important to providing accurate information to the Parliamentary Budget Officer for him to be able to do his job, I thought it was in fact in order that we ask them to provide the information that the Parliamentary Budget Officer is looking for.

• (1645)

**The Chair:** Well, unless I'm getting advice to the contrary, the orders of the day are, pursuant to Standing Order 81(5), supplementary estimates (B), 2012-13, votes 5b and 25b under finance referred to the committee on Thursday, November 8, 2012.

I don't see how this motion refers to either one of those votes. That's my problem with this motion.

Ms. Glover, do you want to speak to this?

**Mrs. Shelly Glover:** I just want to help my colleague across the way. The finance department has already complied with the requests from the PBO and much of the information was, in fact, put on the website.

I'm in agreement with you, Chair, I don't see this topic on any of these pages, so it's a bit of a stretch. But, as I say, it's already been complied with. It's on the website and she can check that.

**The Chair:** Ms. Nash, on that point.

**Ms. Peggy Nash:** Well, the Parliamentary Budget Officer has already gone to court and I understand that Finance is one of the ministries that had not supplied information to him. Before attending this meeting, I didn't check the Finance website, but I understand this was one of the ministries that the PBO had gone to court over, which is why I'm raising it here.

**The Chair:** I don't see how it relates to the two votes before us today. It's probably something the committee would want to have a fulsome debate on. I'm going to take it as a notice of motion, so we will deal with it at our next meeting.

You're free to ask the officials questions on the topic as they've answered today, but the answer they've given today is that the department has complied with it.

**Ms. Peggy Nash:** Okay. If it's because of the court action that the minister has now complied, I'll certainly check that out, but I'm not aware of that. That would give us time to verify that.

**The Chair:** So we'll deal with it at our next scheduled meeting.

**Ms. Peggy Nash:** Thank you.

**The Chair:** I have Ms. Glover on the list for a five-minute round, please.

**Mrs. Shelly Glover:** Thank you, Mr. Chair.

I don't really want to continue this conversation about the PBO because it is misleading. The PBO has stated very clearly that he's actually pulled back on his original intent.

But nevertheless, we're here on the estimates. Given that the opposition insisted on hearing about the estimates, I'm going to open the floor up to Ms. Harrison who has graciously given her time to us.

One of the questions that hasn't come up yet is an explanation on the debt. I know Monsieur Caron actually talked about the unmatured debt numbers.

I'm going to open the mic up to you, Ms. Harrison. Could you explain exactly what that line means, the interest on the unmatured debt and why there's a difference there? We touched on it a little bit, but I want to make sure that everyone understands exactly what that is before we leave here today.

**Ms. Sherry Harrison:** Thank you for the question.

I'll refer to my colleague, Mr. Pagan, to respond.

**Mr. Brian Pagan:** There are two entries in supplementary estimates (B) related to interest costs. The first is interest on unmatured debt, with a total estimate today of \$18.5 billion or \$18.6 billion. Then a separate entry just a few lines below on other interest costs.

The presentation of our interest costs separated in this way responds to recommendations of the Auditor General and they are being presented in these supplementary estimates in this way for the first time. So it reflects, at the recommendation of the Auditor General, better information and more transparency in terms of the component elements of our interest costs.

On unmatured debt, this is the interest cost of outstanding bonds and certificates of indebtedness. There's a debt management strategy that is presented as part of the budget that is designed within the Department of Finance in collaboration with the Bank of Canada. It meets a number of different objectives, first and foremost, servicing our government operations, but also responding to both domestic and global needs in the debt market in terms of the various maturities, the durations of different offerings.

What we're seeing here in supplementary estimates (B) reflects a decrease in the private sector forecast for interest rates from 1.3% at the time of the budget to something like .93% right now and this is in keeping, again, with developments globally, in Europe, the United States, and Canada.

• (1650)

**Mrs. Shelly Glover:** I appreciate you doing that because I wanted to make sure Canadians who are listening hear that it's a decrease in interest because there has been a change.

There aren't many changes in the supplementary estimates with regard to the finance department so that is one I would have thought would have been the subject of some more scrutinizing or questions here at committee. I wanted to make sure that people who are listening understand it's a decrease because of the projections made by economists in the private sector, and it does reflect what Mr. Catta said about outside pressures we face with regard to Europe, with regard to the United States, and other challenges outside our border.

I appreciate you going through that and allowing us to understand how these revisions get made, by what means they're actually made, and who has influence over whether they do get affected.

**The Chair:** Thank you, Ms. Glover.

Ms. Nash.

**Ms. Peggy Nash:** I have another question on the same subject as Ms. Glover in terms of interest rates. Obviously global factors play a role, but I also notice recent analyses that say the reductions in government spending also play a part in the softening of our domestic growth, and therefore impact the interest rates the bank recommends.

The domestic austerity measures mean that government spending—which is of course a large part of our economy, governments at all levels—has been moderating, and that has an impact on GDP. It was something the Parliamentary Budget Officer raised earlier this year. The Canadian Bankers Association also raised it in their presentation to the finance committee.

I'm wondering what your take is on that.

**Mr. Brian Pagan:** It's a very complex area.

I think to start it's perhaps important to remind the committee that the government through budget 2013, through Canada's economic action plan 2013, adopted what I think outside observers consider to be a very balanced approach in terms of austerity or consolidation versus the ongoing need to continue to provide support for the Canadian economy.

The consolidation, the austerity announced in budget 2013, amounted to, as I recall, something in the order of \$5.2 billion against a program base total estimates of \$270 billion, so it was a relatively small percentage of overall spending precisely for the reason you cited. If reductions are too onerous, too sudden, or significant, they can have negative impacts not only on the provision of services but on underlying growth in the economy.

At the same time part of what drives interest rates is that bundle of outstanding debt. We're seeing that play out now in Europe. If debt gets too large, becomes unmanageable, interest rates go north. They increase, and it becomes....

•(1655)

**Ms. Peggy Nash:** But that's not the issue here in Canada.

**Mr. Brian Pagan:** It is not, I would argue, because of the measures that this government and previous governments have taken to manage our debt down to put us on a downward track in terms of debt to GDP and the underlying size of the debt.

If the question is what component of our interest rates is driven by the size of the debt versus the size of program reductions, I'm afraid I can't answer that. I don't know if anyone can. Suffice it to say it is driven by a number of different factors, one of which is the overall size of debt as a portion of the economy. That's something this government is mindful of and wants to ensure is managed in such a way that servicing our debt does not become a problem, and therefore drive up interest costs as we've seen both in other countries and in this country in the past.

**Ms. Peggy Nash:** Thank you.

**The Chair:** I have a couple of questions following up on Ms. Nash's comments. Mr. Pagan, if Canadians and parliamentarians want more information with respect to unmatured debt, we have the "Debt Management Report" and the "Debt Management Strategy". Would you recommend these sources for finding more information on this matter?

**Mr. Brian Pagan:** Yes, there's a chapter. First of all, I stand corrected. I said budget 2013. That's what we are beginning to work on now. The minister is out consulting on this. Of course, it was budget 2012 I was referring to.

**The Chair:** You haven't written it yet.

**Mr. Brian Pagan:** In budget 2012, there's a chapter devoted to our debt management strategy.

**The Chair:** You went through some of the changes that the finance department made to the estimates. If you could supply those to me as the chair, I will ensure that all of the members get them. It would be helpful in a letter form.

I have Mr. Simms, if I have no other Conservatives.

**Mr. Scott Simms:** On the points that were made earlier, I feel like a little retribution. I do go to the website quite often. I'm driven there by constituents who have no idea about this plan. Let me bring up one fact that I regret I didn't bring up earlier. This is from Ipsos Reid on April 2, 2012. They say that 92.1% of the people surveyed did nothing as a result of seeing the ad. Of the 7.9% of people who did do something after seeing the ad, only 22.6% of them went to the website.

Ms. Glover said earlier that a lot of people were calling her office. If these ads were more effective, fewer people would be calling, because they wouldn't have to. I will take the bit of advice you gave earlier about providing my own advice on how to communicate this. I have never done that before, but I will in the next round of consultation. Direct mail is probably a better way to go about doing this. I take your advice.

I have a quick question, though.

**The Chair:** Ask it through the chair, please.

**Mr. Scott Simms:** Yes, my apologies. I am interested in how you brought together this—you gave it an acronym—harmonization sales tax in Quebec.

**Ms. Sherry Harrison:** It's called CITCA.

**Mr. Scott Simms:** Yes, that's it. Is this a new type of program? Is there a precedent for CITCA in other harmonization deals in, say, Atlantic Canada, where I come from, or anything like that?

**Ms. Sherry Harrison:** Mr. Chair, I will have to ask one of my colleagues in tax to come to the table to speak to the details of the CITCAs.

**The Chair:** Keep it brief, please. We are bumping up against the time.

Madam Potvin.

**Ms. Lise Potvin (Director, Sales Tax Division, Department of Finance):** CITCA is the name of the agreement we've signed with all harmonized provinces. There are now four in the Atlantic, as we have just signed one with Prince Edward Island. There are also Quebec and Ontario, and we signed one with British Columbia, but the province is in the process of exiting.

•(1700)

**Mr. Brian Jean:** What about Alberta?

**Ms. Lise Potvin:** No, there's no sales tax in Alberta.

**The Chair:** Okay.

**Mr. Scott Simms:** You should go to the website.

**The Chair:** Thank you. Unfortunately, we are at 5 p.m. That's the end of this part of our meeting today. Colleagues, we will thank our officials from the Department of Finance very much for being with us here today. If there's anything further you wish the committee to consider on these two votes in the estimates, please submit it to me. I will ensure that all members get it. Thank you for being with us.

Colleagues, I will suspend, and we will go in camera for the second part of our meeting.

[*Proceedings continue in camera*]





**MAIL  POSTE**

Canada Post Corporation / Société canadienne des postes

Postage paid

Port payé

**Lettermail**

**Poste-lettre**

**1782711  
Ottawa**

*If undelivered, return COVER ONLY to:*  
Publishing and Depository Services  
Public Works and Government Services Canada  
Ottawa, Ontario K1A 0S5

*En cas de non-livraison,  
retourner cette COUVERTURE SEULEMENT à :*  
Les Éditions et Services de dépôt  
Travaux publics et Services gouvernementaux Canada  
Ottawa (Ontario) K1A 0S5

Published under the authority of the Speaker of  
the House of Commons

### **SPEAKER'S PERMISSION**

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Additional copies may be obtained from: Publishing and  
Depository Services  
Public Works and Government Services Canada  
Ottawa, Ontario K1A 0S5  
Telephone: 613-941-5995 or 1-800-635-7943  
Fax: 613-954-5779 or 1-800-565-7757  
publications@tpsgc-pwgsc.gc.ca  
http://publications.gc.ca

Also available on the Parliament of Canada Web Site at the  
following address: <http://www.parl.gc.ca>

Publié en conformité de l'autorité  
du Président de la Chambre des communes

### **PERMISSION DU PRÉSIDENT**

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

On peut obtenir des copies supplémentaires en écrivant à : Les  
Éditions et Services de dépôt  
Travaux publics et Services gouvernementaux Canada  
Ottawa (Ontario) K1A 0S5  
Téléphone : 613-941-5995 ou 1-800-635-7943  
Télécopieur : 613-954-5779 ou 1-800-565-7757  
publications@tpsgc-pwgsc.gc.ca  
http://publications.gc.ca

Aussi disponible sur le site Web du Parlement du Canada à  
l'adresse suivante : <http://www.parl.gc.ca>