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• (1535)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): I call the meeting to order. Pursuant to Standing Order 108(2), we'll begin our study of corporate subsidies with officials from the Department of Industry, or ISED, as well as individuals from the Canadian Northern Economic Development Agency and the Atlantic Canada Opportunities Agency.

Mr. Davies, I believe you have opening remarks, and then I gather we'll go to questions from members, unless somebody else wants to add remarks with you.

Go ahead, Mr. Davies.

Mr. Mitch Davies (Senior Assistant Deputy Minister, Industry Sector, Department of Industry): Thank you, Mr. Chair and honourable members.

[Translation]

We are pleased to be here before your committee today.

As we all know, Canada is operating in a global economy that is facing increasing uncertainty.

[English]

Slower growth, environmental sustainability, aging demographics and an incredible pace of technological change are just some of the factors that make the job of supporting growth very challenging.

[Translation]

A considered view of policies in other jurisdictions suggests that microeconomic conditions at the firm and industry level need a focused approach, building on strong macroeconomic fundamentals of sound monetary and fiscal policy and competitive general tax rates.

[English]

The current structure of our support for business innovation requires modernization to generate greater impact and allow for the flexibility needed to succeed in the challenging global innovation race.

[Translation]

This is the policy direction that the government has been pursuing through the innovation and skills plan.

[English]

Over the past four and a half years, our department has led and implemented new initiatives under an innovation agenda to create better jobs, spur cutting-edge technologies and support a culture of innovation across all sectors.

Our department led a broad engagement with Canadians to understand the challenges and drivers of innovation.

[Translation]

What we heard throughout this process was that there were three areas where the government could make a difference.

[English]

The first area was equipping Canadians with the skills they need to succeed in the innovation economy, both in terms of developing talent within Canada and attracting and retaining global talent.

The second area was to support technologies by building world-leading clusters, establishing business innovation partnerships and enhancing science excellence.

[Translation]

And, finally, to support and invest in companies to help them scale up and become leaders in global markets.

[English]

These were the lenses used to align policy work on where Canada needed to make changes to improve Canada's innovation performance.

[Translation]

With that in mind, the government has focused on equipping Canadians with the skills and access needed to succeed in the digital economy. CanCode, computers for schools and connect to innovate are just a few of the programs supporting that.

[English]

To put those skills to use, support was provided to Mitacs to create 10,000 paid internships annually so it could help Canadian students to better prepare for the STEM jobs of tomorrow and bring new talent to Canada.

To respond to the critical talent needs of Canada's high-tech sector, our department helped support the creation of the global talent stream of the global skills strategy, making it easier for companies to recruit in-demand workers from around the world.

[*Translation*]

To make the most out of the skills and talent base, it was recognized early on that government needed to play a convenor role in bringing the players together.

[*English*]

Partnerships are key to any successful innovation ecosystem, and the evidence supported that we had to improve our rate of collaboration between large and small firms, researchers and other players in the innovation ecosystem. Through the innovation superclusters initiative, we are building ecosystems that will bridge the gaps from science to commercialization, to investment to scale-up, to help Canada grow and compete on the world stage.

[*Translation*]

Smaller businesses, in particular, have been a key focus of these measures.

[*English*]

Through the innovation superclusters initiative, anchor companies are bringing SMEs into large supply chains, further strengthening the backbone of Canada's economy. Further, in support of SMEs, we studied other jurisdictions and found that when the government acts as a first customer, start-ups flourish and more innovative products are developed. Therefore, the government decided to expand the market for innovation itself, launching the innovative solutions Canada program to encourage innovation and support early-stage research and development and to test late-stage prototypes from Canadian innovators and entrepreneurs.

All of this progress, of course, rests on a foundation of research and scientific excellence that give rise to the innovative ideas of tomorrow.

[*Translation*]

That is why the government has made significant investments in science.

[*English*]

This support for scientific research is leading to new products and improvements to existing ones, and is generating the talent and new ideas that find their ways into companies, jobs and economic growth.

Companies looking to scale up into globally competitive companies that export and operate at the cutting edge of innovation need a clear point of entry to a streamlined suite of relevant government programs that meet their specific needs.

[*Translation*]

That is why, as part of the innovation and skills plan, the government undertook a whole-of-government review of business innovation programming. One outcome of the review was to cut the number of programs by two-thirds. Overall funding for direct measures was also increased.

And to make it easier for SMEs and high-growth firms to navigate these programs, we created the innovation Canada platform.

[*English*]

Innovation Canada enables Canada's innovators and entrepreneurs to find the federal, provincial and territorial programs that will help them grow and innovate.

[*Translation*]

We have also improved services for early-stage innovators and high-growth firms by doubling the number of innovation advisors.

[*English*]

In partnership with other government officials, these innovation advisers offer the accelerated growth service, a whole-of-government advisory service delivered directly in boardrooms, stores, plants and communities across Canada.

• (1540)

[*Translation*]

Another of the key outcomes of this review was the creation of a streamlined business innovation program in our department. It's called the strategic innovation fund.

[*English*]

It supports projects that have the potential to help companies grow and strengthen Canada's position in industries like automotive, aerospace, clean tech, digital technologies and life sciences.

Of course, accessing venture capital has been a persistent challenge for many Canadian firms that are ready to take the next step.

[*Translation*]

That is the reasoning behind the \$450-million venture capital catalyst initiative, which makes that all-important late-stage capital more accessible

[*English*]

There is strong evidence that foreign investment infuses companies with fresh capital investment, introduces new technologies and provides Canadian companies with access to global value chains. As a consequence, programs were introduced to secure critical investments by multinationals.

[*Translation*]

Canada needs a clear path for growing larger, globally competitive companies.

[English]

By helping firms attract investments, scale up and access federal programming, the innovation and skills plan established a focus on execution and new policies to build momentum, working with the private and public sectors.

We are always looking at new approaches to improve our efficiency and effectiveness, and to provide the tools that businesses need to succeed.

[Translation]

We know that there is no one answer and that it is important to debate and assess what is the right approach for Canada.

[English]

We look forward to your report and interest in how supporting businesses plays a part in pursuing long-term prosperity.

[Translation]

Thank you, Mr. Chair.

[English]

The Chair: Thank you very much, Mr. Davies.

Just for the information of committee members as well, we have the witnesses on your sheet. As well, there are two individuals from the Department of Finance here should there be questions that need to be answered from their perspective as well. The assistant deputy minister, economic development and corporate finance branch is here, as well as the director general, business income tax division. If need be, we'll call you folks to the table.

With that, we will turn to the first round of questions. It will be a six-minute round.

Mr. Poilievre.

Hon. Pierre Poilievre (Carleton, CPC): Thank you.

The supercluster initiative cost a billion dollars, is that right? It's \$950 million.

Mr. Mitch Davies: That's correct, sir.

Hon. Pierre Poilievre: All right.

How many jobs does it kill to take a billion dollars out of the private sector economy and put it into the government's hands?

Mr. Mitch Davies: Again, as I mentioned in my opening comments, the purpose of the initiative of bringing together large and small companies, the research base, is to be additive to the Canadian economy.

Hon. Pierre Poilievre: But it must first be subtractive. Isn't that right? You have to take the money out of the economy in the first place to spend it. Do you have any research on how many jobs it costs when you take \$950 million out of the economy to spend?

The Chair: We will give Mr. Davies equal time to respond, Mr. Poilievre.

Hon. Pierre Poilievre: Sure.

The Chair: Go ahead, Mr. Davies. Finish your first answer, if you like.

Mr. Mitch Davies: I don't have any specific information or research from the department that I could provide to that question, at least in respect of that particular initiative, but I understand the premise in terms of needing to raise taxation to provide those programs and make those investments in the future of the economy.

Hon. Pierre Poilievre: You do acknowledge, then, that the government had to take the money out of the economy in the first place.

Mr. Mitch Davies: I acknowledge that there's obviously tax-raising, general revenues used to finance all government initiatives of this kind, all the programs that our government offers. The programs offered through the department, obviously, have to be justifiable that they will ultimately deliver the objective, which is to deliver growth, to deliver innovation in the economy in the long term.

Hon. Pierre Poilievre: The government can't give anything to the economy without first taking it away, as you acknowledged by saying that the money had to be raised through taxation. That means 950 million fewer dollars for the small businesses that had to pay the taxes so that your department could spend them.

How is it possible for your department to do a cost-benefit analysis of this program if you don't know the real cost to the people who paid the bills?

Mr. Mitch Davies: In a general way, I think there is a sound body of economic research in respect of the particular advantage to a society. This is to say that we can gain wealth as a society by making particular investments, and certainly those in the area of research, development and technology in any jurisdiction around the world are areas where governments are making those investments because of the demonstration that this leads to long-term prosperity.

We also sit next to our nearest and important trade partner, which also deploys massive resources to support research and development. This ultimately benefits firms but then provides overall support to the economy, so there is research to demonstrate this is a sound investment.

• (1545)

Hon. Pierre Poilievre: There's no doubt that investment creates wealth, but let's remember that you subtracted \$950 million of private sector investment when you took that money out of the economy in the first place. As you point out, the government needed to tax that \$950 million. That means that those are dollars that private firms will no longer invest in innovation and capital acquisitions and other things.

Why do you think your department is better at investing other people's money than those people would be at investing it themselves?

Mr. Mitch Davies: To come to the question in terms of the rationale, a number of studies, I think.... Obviously the committee is undertaking this work and will want to explore this information. We point to recent OECD work. They've studied this question over many years, providing supporting evidence that these sorts of long-term investments do return well for the economy. It's a separate question, and I'm not in a position to answer. It's not our area of expertise in essentially providing a tax environment that's conducive for investment to not have an effect where you're slowing current growth, current investment, to favour future longer-term investment. Again, I think that's a matter of tax policy and fiscal policy, which isn't in my domain.

Hon. Pierre Poilievre: When the government gave BlackBerry \$40 million, the company said it didn't need the money, so there would have been no incremental job benefit as a result of this cost.

In that case the government took \$40 million out of the economy and gave it to a company that said it didn't need the money. How many jobs would that kind of exchange have killed?

Mr. Mitch Davies: I'll ask my colleague if there's time to provide details on the benefits associated with the investment in BlackBerry QNX. I'll give the context. This is an investment that isn't available at any time around the world. It's really a turning point in automotive. We're investing now in this country in the future technologies that will underpin mobility and transportation, of which BlackBerry is a very key company.

As for the question of need, I think the CEO said what the CEO said. He also said in the same news conference that the department was a very strong negotiator in the process to secure the benefits that we did, which was quite an unexpected acknowledgement, not planned at that point.

I also think the question of need is a question of nuance. No CEO would say, if they have a balance sheet with cash on it, that they need it in that way, but that doesn't mean it cannot accelerate or doesn't secure that investment in our jurisdiction, which is really our concern, to see that done here versus done elsewhere. It's quite integral, and what we see now around QNX and BlackBerry, which is just west of us in Ottawa, is a whole ecosystem. Ford Motor Company is there and Delphi, a number of companies are building up around that, so we think it has a spillover to the overall economy.

The Chair: Thank you to you both. We'll bring you in a little later if we can, Ms. Johnston.

Mr. Fraser.

Mr. Sean Fraser (Central Nova, Lib.): Thank you very much, Mr. Chair.

I'll start by tackling an issue you raised in your opening remarks when you said the microeconomic concerns sometimes at the firm level need a focused approach, in addition to a competitive environment at the macroeconomic level.

In the first few years as a member of Parliament, in the last parliament I sat on the status of women committee and during a study on the economic inequities that exist in Canada, the lack of access to capital and lack of a network for women entrepreneurs in particular was signalled as stifling growth.

Can you comment on the women's entrepreneurship strategy to showcase how we might be tackling this issue to create wealth in the economy from a relatively untapped source, which is women entrepreneurs?

Mr. Mitch Davies: The government introduced a women entrepreneurship strategy aimed at this very objective, which is to have more inclusion, more participation, in being able to create growth in the economy and address specific circumstances faced by women in securing capital, securing support for their businesses. The significant financing in that support is not in my direct care or responsibility, but I know resources have been dedicated.

Many initiatives have sprung from that, and Canada along with the U.K. is working on international standards with regard to lending to women entrepreneurs, to create new standards overall for business in general, to make that issue a thing of the past, to bring more people in and to be able to bring forward untapped potential in the economy.

• (1550)

Mr. Sean Fraser: I will pivot to our guest from ACOA. During Mr. Davies' opening remarks, he mentioned the superclusters initiative to help bridge the gap between science and commercialization. I think that's how he framed it.

In Atlantic Canada, we benefited from the Atlantic innovation fund, which serves a similar purpose. I can think of one investment in my own backyard at StFX university, which is Dr. Risk's Flux Lab. It has led to the commercialization of a technology that detects gas leaks in energy infrastructure. It can reduce emissions by up to 20% and increase production by that amount because they're not losing it into the atmosphere.

I'm curious if you can highlight other examples in the Atlantic region where this particular fund has translated the incredible research taking place at our universities into jobs in the Canadian economy.

Mr. Daryell Nowlan (Vice-President, Policy and Programs, Atlantic Canada Opportunities Agency): I'll let my colleague talk a little about the examples, but it's important to point out the innovation fund that the member refers to. The agency invests in the neighbourhood of \$30 million to \$40 million a year, depending on the year, in projects exactly like that. They are largely partnerships between research institutions, like universities, and the private sector.

When the innovation review happened, which my colleague mentioned earlier, and there was a reduction of innovation programs, the Atlantic innovation fund was one of the programs that was retained by government because it recognized the impact it has in Atlantic Canada.

Did you want to speak to this?

Mr. Bill Grandy (Director General, Programs, Atlantic Canada Opportunities Agency): A couple of examples are Ver-afin, which would probably be a familiar firm. It just received the largest venture capital investment of any firm in Canada. It was an early client of the AIF and it repaid all that money.

Ocean Nutrition is another example of a major manufacturer in Atlantic Canada that has really grown up and made a substantial economic impact resulting from the benefits of research with institutions and commercial companies.

Mr. Sean Fraser: Excellent.

The innovative communities fund, through ACOA, is one that I see the benefits of daily. One thing I really appreciate about it is that it helps individuals or groups take part in an economy by strengthening the communities that might not otherwise be able to. I'm thinking of the CACL investment or the farmers' market in the community of Antigonish. The CACL project enables adults with intellectual disabilities to take part in the economy by being employed in a commercial kitchen or a small manufacturing facility. The farmers' market investment helps small producers not only take their product to market, but potentially get their products online to sell to a bigger market.

Can you talk about how this innovative communities fund is able to allow folks to take part in the economy on a scale they may not otherwise be able to?

Mr. Daryell Nowlan: The innovative communities fund, as the name may imply, is a program that's targeted at communities. The agency invests in the neighbourhood of \$40 million a year. It's largely targeted at rural communities, outside of what we consider to be the major urban centres in Atlantic Canada. It works with community groups that do everything...like in the kinds of projects the member mentioned. In the example he used around the farmers' market, it allows farmers to bring their products to sale. It can help local community infrastructure, which can help support local and domestic tourism activities. It can help community groups take advantage of the assets they have in their community and to try to do something with them.

Mr. Sean Fraser: The accelerated growth service is exciting to me for the Atlantic region. We typically don't have firms that are of a scale that can compete in the global marketplace. In my own community of New Glasgow, Stark International is taking part in the initiative.

I'm wondering if you can showcase how this particular initiative can pour some gas on the fire to help good businesses become global businesses and hire more people in communities in the Atlantic region.

Mr. Bill Grandy: In Atlantic Canada, we have 92 clients that have participated since the start of the accelerated growth service. It's a whole-of-government approach that really focuses on the growth of those companies. We're continuing to work with companies in the region to build that pipeline. When companies demonstrate that growth potential, we go in and work with them as a whole-of-government approach. We're starting to see the results of that.

• (1555)

The Chair: Thank you.

We're turning now to Mr. Ste-Marie, and then to Mr. Julian.

[*Translation*]

Mr. Gabriel Ste-Marie (Joliette, BQ): Thank you, Mr. Chair.

Good afternoon, ladies and gentlemen. My questions are for Mr. Davies.

Thank you for your presentation. When your department provides support to an economic sector or an industry, do you have an internal mechanism to assess and calculate the economic benefits, and evaluate the return on investment?

[*English*]

Mr. Mitch Davies: Thank you.

I think the most straightforward way to answer the question is to use an example. I would take aerospace as a significant industry, in which we've had long-standing involvement through a number of programs over the years, and I would trace this industry's existence in the country back to a number of interventions, different policies that have taken place over the years. We now have an industry that has a \$25-billion GDP. There are 200,000 people working in that industry. It's an industry that's particularly important, in that Canada is now fifth in aerospace ranking as a global nation in aerospace. It's very hard to be in that club. You can see it's challenging. This is a very competitive, very contentious industry. It's fairly challenging in the marketplace, and the kinds of products and services that they produce require very complicated, high-tech value chains.

There are a lot of big companies involved, and you hear their names, but there are a lot of small players that are all part of the value chain that go along and create a lot of benefits, which is why that job number is so large. These sophisticated export industries add a lot of value to the economy along the way because there are a lot of other companies that get brought in along the process.

[*Translation*]

Mr. Gabriel Ste-Marie: So you would say that the support your department provides to the aerospace industry benefits the economy and is an investment that pays off in terms of jobs and value. Is that correct?

[English]

Mr. Mitch Davies: That's correct, and also I would argue that because this industry is so contested, in fact, in countries where it's very strong, it's supported very significantly by those governments, often largely through their military expenditures, which does bring down and make much more technology come forward, which eventually has a civilian application. Our industry is obviously more oriented toward civilian exports, but we don't operate necessarily with that sort of industrial base that's supported by, for example, the Department of Defense in the United States. You'll see programs, very direct, that are providing support for research and development in that area because we're trying to essentially provide a playing field for our industry that allows them to stay competitive.

[Translation]

Mr. Gabriel Ste-Marie: In this regard, you've just given the example of the United States model, where research and innovation in the aerospace sector is done first in the military sector and can then be used in the civilian sector. In Europe, there are support measures for the civilian sector instead.

The Canadian aerospace industry is calling for a comprehensive support policy rather than piecemeal measures, as we have seen in recent years.

Is your department considering a more comprehensive policy to support the aerospace industry?

[English]

Mr. Mitch Davies: I acknowledge, actually, a very significant report. The hon. Jean Charest, with the aerospace industry, produced a report on the state of the aerospace industry seeking a number of areas of support from governments and also a direction to the industry. We're very open. We work with the Aerospace Industries Association. We actually, at the last Paris Air Show, announced funding for an aerospace innovation network, which was very well received by the industry.

I also mentioned the strategic innovation fund, which is the instrument we use to support large-scale projects that support the industry. I would say this is actually embedded into the innovation skill plan at all levels. We also produce each year a report on the state of the aerospace industry in conjunction with the industry players, as it's an area of important focus for our department.

[Translation]

Mr. Gabriel Ste-Marie: I'll end with a quick question.

In your opinion, is the federal government, through your department and other departments, doing enough to support the aerospace industry, compared to what other countries that dominate the industry are doing?

[English]

Mr. Mitch Davies: It's an interesting question. I just looked the other day and the U.S. Department of Defense's request for its budget for research and development for this coming fiscal year is \$100 billion, so I would say we're absolutely doing the full measure that we can do to support projects, important projects, research and development in the future, and also we're working with an industry that in fact is undergoing a very significant restructuring.

The players in the industry are changing. We see now that Airbus is in care of the A220, the program out of Mirabel, which now really has traction. They're selling that aircraft. They're making those planes there. We're very hopeful to see that expand, and obviously we're there to be open to work in partnership with them as these important programs continue.

• (1600)

The Chair: Thank you very much.

Mr. Julian, you have six minutes.

If anybody else has another point they think should be raised, just tip your hand and I'll catch you.

Go ahead, Mr. Julian.

[Translation]

Mr. Peter Julian (New Westminster—Burnaby, NDP): Thank you very much, Mr. Chair.

I'd like to thank the witnesses for being here today.

We talked about several types of business subsidies, tax credits and financing. I think there was a lot of public interest in the issue of business loans. I am talking primarily about loans made through Export Development Canada's Canada account. For example, we are talking about \$2.6 billion for Chrysler and a similar amount for General Motors.

First of all, what are the criteria for granting these loans?

[English]

The Chair: Are you asking about the criteria for loans from Export Development Canada?

I doubt if that's in your bailiwick, but can you answer that, Mr. Davies?

Mr. Mitch Davies: Mr. Chair, that's correct.

You would want to speak to officials with responsibility for Export Development Canada.

The Chair: Is there anybody from finance who can answer that question? We can send a note to EDC to get it answered if necessary.

All right, there is no one.

[Translation]

Mr. Peter Julian: We have already discussed the Canada account with the Department of Finance. It is indeed the Minister of International Trade and the Minister of Finance who approve these loans through the Canada account. So I'd like to know, first of all, what the criteria are for these loans.

Next, what criteria is the Minister of Finance using to determine that the amounts loaned are uncollectible? We are talking about billions of dollars. Do you have any information on that?

How do you decide that a loan is lost and you won't ask for it back?

[English]

Mr. Mitch Davies: Mr. Chair, that question....

The Chair: I think they're in the same position as before. As it relates to EDC, we may have to invite them if this is the line of questioning, because I don't think any of the officials here. I see finance shaking their heads as well. We may have to handle that question in another way if we can, Mr. Julian.

Mainly, we're talking about corporate subsidies here, not loans through Export Development Canada.

[Translation]

Mr. Peter Julian: The problem is that it becomes a grant.

If we're talking about—

[English]

Hon. Pierre Poilievre: I have a point of order. I think Mr. Julian is right. The EDC loans to foreign buyers and so on can be seen as subsidies. At the very least, one could make a very strong argument this is a subsidy, otherwise the foreign buyer of the Canadian exporter's product would get it from a private lender.

I think it is a fair question.

The Chair: We don't have anybody here from government. We can invite somebody from EDC to come to answer this question. There are a number of witnesses who have said they can't come.

I operate in the potato industry, and I know that if it weren't for EDC, we wouldn't be in some markets with potatoes, which return good investment back to Canada. If you wish, we can try to invite EDC.

Can we stick to questions that these folks can answer?

• (1605)

[Translation]

Mr. Peter Julian: I appreciate Mr. Poilievre's intervention. That said, since we are talking about the Canada account, which is approved by the Minister for International Trade and the Minister of Finance, these are probably the two people who would be the most appropriate people to call in to answer these questions.

I'm going to go back to our witnesses and ask them questions about the grants.

What is the evaluation of the effectiveness of the subsidies given to companies, regardless of the agency you represent?

[English]

Ms. Andrea Johnston (Assistant Deputy Minister, Innovation Canada, Department of Industry): Why don't I give an example of the strategic innovation fund? When an application comes in, we assess it as to the public economic and innovation benefits, and if we determine that those are high, then that project moves forward. The project then undertakes a technical review. We work closely with NRC IRAP. It takes financial due diligence and it also takes market due diligence. In certain cases depending on the project, we also work closely with GAC to look at the technical trade risks.

Depending on whether it's of high, medium or low benefit to Canada, then the project continues to move forward. If it is moving forward in terms of a high benefit to Canada, then we start the negotiations with the applicant on the obligations required. That can

include the number of jobs, the number of co-ops, the amount of R and D collaborations, GHG reductions. It depends on the project, but those are the types of benefit to Canada that we negotiate.

That is the project flow as we look at the criteria for assessing these types of projects.

[Translation]

Mr. Peter Julian: There are three witnesses, and I'd like each of them to talk about those criteria.

[English]

The Chair: Go ahead, Mr. Nowlan.

Mr. Daryell Nowlan: I can speak for ACOA. When we do a repayable contribution to a client—very similar to what Andrea pointed out—first of all we look at the application to see if it is eligible for the criteria of our particular programming. That looks at economic benefit, in our case to our region but ultimately to Canada. We look at the capacity of the firm or the entrepreneur to deliver on that project. We look at market opportunities. Depending on the nature of the project, we would also consult outside expertise, which may be scientific or technical experts, on the value of the project.

That's the kind of assessment that would be made to see if there were actually potential benefits that would come out of that project before a funding decision is made. Then again we would enter the negotiation with the client with regard to the repayment terms, talk about jobs created and that kind of thing. It's very similar.

The Chair: You have time for a very quick one, Peter.

Do you want Ms. Buist to answer?

Mr. Peter Julian: Yes.

Ms. Margaret Buist (Vice-President, Policy and Planning, Canadian Northern Economic Development Agency): Thank you very much.

CanNor goes through a similar process. We do targeted expressions of interest for our funding aligned with our pan-territorial growth strategy, which originates in the north, and we look at the project outcomes: the biggest economic impact for northerners from the particular projects we are looking at; how they will enhance the ability of northern communities and businesses to take advantage of economic opportunities; benefits to multiple participants in the northern economy; how the project may address regional challenges; the level of funding from other stakeholders for the project that's available; and the potential for the project. Primarily our important thing is to enhance the northern economy.

The Chair: Thank you all.

Turning to five-minute rounds, we have Mr. Cooper.

Mr. Michael Cooper (St. Albert—Edmonton, CPC): Thank you, Mr. Chair.

Thank you to the officials for being here.

Last year Minister Bains stated that, under the strategic innovation fund, a little more than \$1 billion had been paid out to various companies across Canada—46 projects, 56,000 jobs. The problem with that statement, as it turned out, according to access to information data, is that the number was not true. Instead of 56,000 jobs created, a little more than 6,600 jobs had been created, so the minister's statement of 56,000 jobs was 10 times the number of jobs created. That was as of March 31, 2019.

Could you provide an update as to how many jobs have been created under the strategic innovation fund?

• (1610)

Ms. Andrea Johnston: That number you referred to, the 6,000, was based on an ATIP request on a subset of data, so it does not compile all of the SIF jobs that have been created. As of now, there are 65 projects announced and approved under the strategic innovation fund. With the SIF contributions of over \$2 billion, we've leveraged industry investments of \$43 billion. We've created and maintained more than 60,000 jobs. We've ensured that there has been \$9 billion in R and D commitments. We ensured that there were more than 9,800 co-op and training opportunities from these projects. In terms of clean-tech projects, we have GHG reductions of at least eight million tonnes of GHG emissions.

Mr. Michael Cooper: Just to repeat, how many jobs have been created under the fund?

Ms. Andrea Johnston: These are negotiated agreements. The projects are now starting to unroll. As we do the semi-annual reporting, we'll have a tracking system on the jobs.

Mr. Michael Cooper: Do you have a figure? More than a billion dollars has been paid out.

Ms. Andrea Johnston: These are 10-year projects.

Mr. Michael Cooper: I understand they're 10-year projects. More than a billion dollars has been paid out, so how many jobs have been created to date? The minister had a number, but it turned out to be the wrong number.

Ms. Andrea Johnston: There are jobs being created and maintained. These are the ones we are tracking.

Mr. Michael Cooper: How many have been created?

Ms. Andrea Johnston: Again, the projects are just commencing.

The Chair: Did you not say though, in your remarks, that a number of jobs were created and maintained?

Did you not have 60,000? What was the number?

Ms. Andrea Johnston: Yes, 67,000.

The Chair: It was 67,000 created and maintained.

Mr. Cooper

Mr. Michael Cooper: Is it true the funds that are allotted, they can be repayable or non-repayable?

Ms. Andrea Johnston: Yes.

Mr. Michael Cooper: Of the more than a billion dollars that has been paid out, how much is repayable?

Ms. Andrea Johnston: It depends on the contribution. It's non-repayable if there's a significant public spillover benefit. It's repayable if it's a project where the company is looking for non-dilutive patient capital. Each one depends on the project.

Mr. Michael Cooper: I appreciate that, but again, the question was simply with regard to the billion dollars or so that has been paid out. How much can Canadian taxpayers expect to see repaid? I don't need the details you're providing. I'm asking a very specific question about a number. I'm asking you to give it to me.

Ms. Andrea Johnston: Are you asking me under the strategic innovation fund?

Mr. Michael Cooper: That's right.

Ms. Andrea Johnston: I don't have the list of projects that are repayable or non-repayable.

Mr. Michael Cooper: Could you provide the list?

Ms. Andrea Johnston: We can. We would be more than happy to provide that list.

Mr. Michael Cooper: My understanding is that it's only \$566.4 million of \$1.05 billion that has been paid out.

Ms. Andrea Johnston: I don't have that number with me, but we would be happy to provide the list.

Mr. Michael Cooper: When Minister Morneau appeared at this committee, I asked him a question about the \$372-million loan that had been paid to Bombardier with respect to the C Series. Bombardier took that \$372 million, moved jobs overseas and moved the IPO overseas.

I asked the minister very simply when that loan would be repaid. He didn't have an answer. Might you?

Mr. Mitch Davies: Mr. Chair—

The Chair: Mr. Davies, we're out of time.

I believe Mr. Davies alluded to this earlier in terms of the C Series. It's being made in Montreal. Am I correct in that?

Mr. Mitch Davies: I would love to give a clarification.

The Chair: Mr. Davies, go ahead.

Mr. Mitch Davies: The position of the department is that the funding provided for the C Series development will be repaid over time. I will make that statement. Second, Bombardier is current in respect to any repayments that it does make.

Mr. Michael Cooper: Over time, but the question is when?

Mr. Mitch Davies: This is a long-term endeavour. The C Series is now over—

Mr. Michael Cooper: You can't provide a date. There is no date.

The Chair: Mr. Davies.

Mr. Mitch Davies: There is no movement of IPO or production. It's happening in Mirabel.

The Chair: The production is happening in Mirabel, and jobs are being created in Mirabel.

Mr. Mitch Davies: Airbus is leading that program. We will be repaid.

• (1615)

The Chair: Mr. Fragiskatos.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you, Mr. Chair, and thank you to the officials for appearing today.

I want to establish a context here. I want to move from the general to the specific. I have a question on unemployment, and perhaps this is more suited to finance. Either way, in 2015, what was the rate of unemployment compared with 2020?

Mr. Mitch Davies: Mr. Chair, I apologize. I appreciate the question. It's straightforward, but it would be best if a finance official would provide that information. I don't have any notes on the level of unemployment at that time.

Mr. Peter Fragiskatos: I understand they are here.

The Chair: Can someone answer that from finance?

Come to the table. You might as well sit here, Mr. Botham.

Did you hear the question Mr. Botham?

Mr. Richard Botham (Assistant Deputy Minister, Economic Development and Corporate Finance Branch, Department of Finance): I did, thank you. Unfortunately, I didn't prepare historical rates of unemployment for our appearance, but it's readily available data.

Mr. Peter Fragiskatos: Could you tell us what the unemployment rate is today, in 2020?

Mr. Richard Botham: No, I can't.

Mr. Peter Fragiskatos: My understanding is that it's 5.6%, the lowest it has been in 40 years.

I'm going to ask a question on debt-to-GDP ratio.

Mr. Richard Botham: Quite honestly, I didn't prepare to bring that data to the discussion on business subsidies.

Mr. Peter Fragiskatos: That's fine.

It's important to have a context for understanding the discussion, which is economically focused, but there are some big picture issues that I think ought to inform the discussion.

If you could provide data that lets us know what unemployment was at 2015 and where it is now, along with the debt-to-GDP ratio and where that ranks, where Canada ranks in the wider G7 on that measure, and the number of people who have been lifted out of poverty since 2015, I think that would help the committee from a big picture perspective in terms of establishing context.

There is another important question to be asked here. It has been hinted at, but we haven't delved into it in a very direct way.

Mr. Poilievre opened up questioning, and Mr. Cooper followed. If some around the table question the philosophy behind investing when governments take the decision to invest in business, that is actually curious, because in 2008 the then Conservative government invested \$350 million in Bombardier. However, I leave that

aside and maybe my colleagues would care to offer an explanation at a later time.

The question in my mind is not why governments invest. They certainly do make the decision to invest. What would happen if governments did not invest? That's a crucial question.

Ms. Johnson, you just cited figures under SIF. You said that 60,000 jobs have been created or maintained, or at least that's the projection. Is that correct?

Ms. Andrea Johnston: That's the number we negotiated in the contribution agreement.

Mr. Peter Fragiskatos: That's a high-level figure.

The issue of BlackBerry was raised earlier by my friend, and it's good to get into specifics on the microeconomics.

Do you have information on the number of jobs created by the BlackBerry QNX investment and the number of jobs maintained by that investment?

Ms. Andrea Johnston: I do. With that agreement, it was a SIF contribution of \$40 million towards a project of \$310 million. Under the contribution agreement, BlackBerry QNX committed to maintaining 293 jobs and creating 807 jobs, as well as supporting 1,000 co-op terms.

It is also increasing QNX Canadian research and development spending by a total of \$350 million and will be supporting an additional \$5 million in R and D collaboration.

Mr. Peter Fragiskatos: Okay. We're talking about 1,000 people who are going to benefit as a result of that investment in the region of southwestern Ontario, where I come from.

I think there might be a misunderstanding that suggests this is only about capital expenditures, that there are not other beneficial outcomes here, such as R and D, the expansion of firms, their scaling up. This is part of the principle that guides investment. Is that correct?

Ms. Andrea Johnston: Correct.

Mr. Peter Fragiskatos: Okay.

Ms. Andrea Johnston: We look at not only funding the R and D commercialization or the scaling-up in a manufacturing facility, but we also look at the economic benefit to Canada and the public benefit to Canada.

• (1620)

The Chair: Peter, I'm sorry, but you're out of time.

Mr. Morantz.

Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC): Thank you, Mr. Chair.

Thank you to the witnesses for being here.

Given that all taxpayers fund these programs, which I think we all acknowledge, when I look at the breakdown of the money being handed out from the strategic innovation fund, it's troubling when I see, for example, my home province of Manitoba having the second-lowest per capita funding from SIF. Not only that, but it is less than half the national average. In Manitoba, it's \$21.91 per capita; whereas in Ontario, for example, it's \$62.25.

It appears that the Liberals are not only picking through this program which industries are winners and losers, but also which provinces are winners and losers. Why is it that Manitoba is not getting its fair share of these grant and contribution monies?

Ms. Andrea Johnston: It is true that there are not.... I'll just step back. When we get the projects, we actually assess them and we look at them from a portfolio approach. We do look at it from a regional perspective, as well as a sectoral perspective.

We have some projects that—

Mr. Marty Morantz: What is the reason, though? If all taxpayers are contributing, shouldn't all regions be treated equitably?

Ms. Andrea Johnston: As I mentioned earlier, the core criteria is—

Mr. Marty Morantz: I will let you finish your answer, but I want to point out that.... This comes from the recent Ernst and Young study that was published this year. You can all have one of these. I'll table it with the clerk.

When I show this to folks back home, they're going to be asking why Manitoba is dead last. If your department is administering these programs, why is it that my province is this little tiny line at the end here? What's the reason?

The Chair: Ms. Johnston, the floor is yours. Take as much time as you need.

Ms. Andrea Johnston: Thank you.

Again, as I mentioned, we look at it from a public economic and innovation perspective.

The other challenge is that the strategic innovation fund is kind of the fund at the end of the road in the sense that many companies start at NRC IRAP. They get funding there, and then they move to the regional development agencies. Then projects that are quite large, at least \$10 million in SIF contribution—that is at least a \$50-million to \$60-million project—come out of the strategic innovation fund. The numbers are low in Manitoba. That is the reality. We're certainly open to receiving projects that would benefit the province of Manitoba.

Mr. Marty Morantz: I guess that begs the question: Why haven't you, and what is the department doing to encourage regional equity in this program?

Ms. Andrea Johnston: The reality is that we assess the projects as they come in. It's not that we've rejected projects from Manitoba. We assess the projects as they come in. I would say there were hardly any projects that came in from Manitoba.

Mr. Marty Morantz: I want to turn to one other thing, if I have time, Mr. Chair.

In the private sector, which I like to call the real world of investing, when we use the word "investment", we're looking for a return on investment, an ROI. It seems to be in government.... This was the same under the NDP in Manitoba. They would always use the word "investing" when it was spending taxpayer dollars on projects, but the reality is that the metrics around when government invests in private companies are not the same as when the private sector does it. If it were, you would be able to tell me, which is my question, what the return is on the investment of all monies invested through the strategic innovation fund.

Mr. Mitch Davies: I'll provide a general response, as I think it's—

Mr. Marty Morantz: There should be a number. In the private sector, if you invest a million dollars in something, based on whatever the cap rate is, you're looking for a return on investment, the financial return. What is the financial return on the \$907 million invested in Ontario, the \$62.25 per capita? What's the return on investment to the taxpayers of Canada for that investment in financial terms?

The Chair: The floor is yours, Mr. Davies.

Mr. Mitch Davies: I would say that there's a degree of complexity in moving from a corporate income and balance sheet to determine the return on investment, which will be completely mathematical and about profit. In this case, we're talking about the overall Canadian welfare.

Mr. Marty Morantz: Is there no return on investment?

Mr. Mitch Davies: No, I would say it's a matter that's just much more empirically difficult. You don't sit with the same sort of accounting instruments and the same simple or narrow approach to answering that question.

I'm not trying to say this to be provocative, but if you think about the advanced research that's undertaken, some of these things appear to be small sums, and if you just evaluate it on a dollar return to the party that's granting the funding, you're not going to find a justification for it. The idea to fund folks to create the Internet probably didn't look like good business, but it is the underpinning of global growth, and we now all benefit from it, including all the private sector that's flourished.

I would say the kind of investment in R and D and support that we're talking about is the type that has that long-term benefit, but again, it's not evaluated in the same way. I think we have to rely on evidence about the effects of these kinds of initiatives, the effect of supporting, in a direct or indirect way, business activity, if it has a public benefit, and determine that from research rather than each specific deal.

● (1625)

The Chair: I will end it there.

Mr. McLeod. This is the last round.

Mr. Michael McLeod (Northwest Territories, Lib.): Mr. Chair, I want to ask a question to CanNor.

I want to first of all say that it was good to see that we finally locked in the CanNor program as an ongoing program. Very recently, we've started seeing a little more money trickling into the coffers there, too. I think we're at about \$46 million for the three territories.

I also hear a lot from people who are applying for projects and looking for investment. A lot of times, the money is no longer there. It has been spent or has all been allocated. Could you provide the committee with information, with data, on how oversubscribed CanNor is and has been? If you can't do it today, then maybe you could give it to us later in writing.

Ms. Margaret Buist: Thank you.

We just did an expression of interest for our funding this year, and you're correct that we have long-term funding now in budget 2019 through IDEANorth. CanNor's funds available for projects are about \$46 million and ongoing. We have a number of different funds. We have the IDEANorth flagship program. We have nutrition funding. We have targeted indigenous entrepreneur funding.

This year's expression of interest was formed around our pan-territorial growth strategy, which was a made-in-the-north solution that went after four particular areas that northerners identified as areas that need attention for building the economy. Those were infrastructure, resource development, innovation and diversification, and skills.

In this year's expression of interest we received 325 project concepts with a total funding request of \$225 million. Forty-six per cent of those were submitted by indigenous organizations, and 52% of projects were submitted by for-profit entities. It is a huge success for CanNor to have that kind of request. We still have to go through the vetting process. Not all of those will end up being eligible, but I think that answers the question of the oversubscription of our particular regional development agency.

Mr. Michael McLeod: Thank you for that.

I also wanted to ask how the effectiveness of the agency's grants and contributions is evaluated. What are the performance indicators that are used to measure program outcomes?

Ms. Margaret Buist: We go through some regular evaluations, and, as I mentioned earlier, we talk about the way in which we evaluate the applications that come to us. We also do evaluations of the success of our funding. Previous evaluations show that every \$1 million that's invested by the agency has led to an overall increase of \$2.2 million in territorial gross domestic product and contributed to 18 person-years of full-time employment. We do have some burgeoning statistics about how successful our funding is in terms of contributing to the northern economies.

Mr. Michael McLeod: I wanted to point out, and I'm sure you know this, that doing business in the north is a lot different from doing business in the south. It's a lot more expensive.

Can you quickly tell us what your agency is doing to support economic growth and diversification, both in our regional centres and also in our smaller communities?

Ms. Margaret Buist: Sure.

Since 2015, CanNor has approved \$170.9 million in funding for 388 projects across all three territories, resulting in the creation of

1,500 jobs. Those numbers may sound small to some of you, but the north, with all three territories, has a population of about 114,000 people, so that's not an insignificant contribution. In your territory alone, in the the Northwest Territories, we've sponsored 90 projects worth \$45 million.

We still have significant challenges to overcome, such as the decline of mining and exploration in the Northwest Territories. We work very closely with our territorial partners, the governments and our indigenous economic development organizations to try to look at things like diversifying the economy in the north to anticipate the downturn in the diamond mines of NWT, for example.

• (1630)

The Chair: Thank you.

In the Library of Parliament paper that was prepared, there is a chart on page 7 that outlines how we compare with our major competitors in the G7. I think that's an important chart for members to look at. It shows that we are the fifth-lowest in the G7 following France, the United Kingdom, the United States and Italy. I think that's a factor that we need to consider as well.

Ms. Johnston, I think there were several questions that perhaps you could provide further information on. Mr. Cooper asked for a list related to a particular project that he was talking about. You could provide that to the clerk. I believe Mr. Fragiskatos had a question, if finance can provide it, on the unemployment and debt-to-GDP ratios.

There's been a lot of discussion here on cost, taxation and investment. I wonder, Mr. Davies or someone, if you could give us further information on maybe the comparative return on strategic public investments, if there's a way of doing that, because it's always a question: Is government getting a return for the dollars spent on investment in a number of areas? I think it would be helpful to us if you could find some way to give us your perspective on the comparative return on strategic public investment. Please provide what you can.

With that, I want to thank each and every one of you for coming forward.

We'll take a five-minute suspension while we get ready for the next panel.

Thank you very much.

• (1630)

(Pause)

• (1635)

The Chair: We will reconvene and continue our study of corporate subsidies.

We welcome to this panel, from the Office of the Auditor General, Andrew Hayes, deputy auditor general, and Heather Miller, principal; and from the Office of the Parliamentary Budget Officer, Mr. Giroux, PBO, and Mr. Jacques, director general.

With that, we'll open the floor.

Do any of you have opening remarks?

Mr. Hayes first, and then Mr. Giroux.

Mr. Andrew Hayes (Deputy Auditor General and Interim Commissioner of the Environment and Sustainable Development, Office of the Auditor General): Mr. Chair, thank you for this opportunity to appear before your committee to discuss our audit reports on fossil fuel subsidies. Joining me at the table is Heather Miller, the principal who was responsible for our most recent audits on this subject.

Fossil fuels are a non-renewable source of energy, including coal, oil and natural gas. While playing an important role in Canada's economy, they can have a negative impact on the environment and on the health of Canadians.

In 2009, Canada and the other G20 countries committed to phase out and rationalize inefficient fossil fuel subsidies. In November 2015, the Prime Minister instructed the Minister of Finance and the Minister of Environment and Climate Change to work together to fulfill our G20 commitment and phase out subsidies for the fossil fuel industry over the medium term.

In June 2016, Canada committed to phasing out inefficient fossil fuel subsidies by 2025. The Department of Finance was responsible for identifying the tax measures covered by the commitment, while Environment and Climate Change Canada managed the process to identify non-tax measures.

• (1640)

[*Translation*]

We recently presented three reports on this issue: one in 2017 and two in 2019. The audits examined whether Finance Canada and Environment and Climate Change Canada supported decision-making in order to meet Canada's commitment to phase out inefficient fossil-fuel subsidies.

In 2017 and 2019, we asked the departments to explain how they defined "inefficient fossil fuel subsidies" and whether they had identified inefficient tax and non-tax subsidies. Without a clear definition, the departments cannot identify which fossil fuel subsidies are inefficient and which should be considered for phase-out.

In 2017, we found that the Department of Finance Canada had not defined what an inefficient fossil fuel tax subsidy was, nor could the department tell us how many there were. At the time, we could not provide assurance that the department analyzed the social, economic, and environmental aspects of all tax measures to support informed decision-making.

As a result, we followed up on this issue in 2019 and found that the Department of Finance Canada did not have a clear and meaningful definition of inefficient. We also found that, although some tax subsidies for fossil fuels were eliminated, the department's assessments focused almost exclusively on fiscal and economic con-

siderations. It did not consider how economic, social, and environmental factors, which are the components of sustainable development, were integrated into the decision-making on fossil fuel subsidies over the short, medium, and long terms.

I would like to turn now to Environment and Climate Change Canada.

In 2017, the department developed a plan to guide the initial stages of its work. However, it did not know the extent of federal non-tax measures that could be inefficient fossil fuel subsidies. In 2019, the department's work to identify inefficient non-tax subsidies for fossil fuels was still incomplete and not rigorous.

[*English*]

The department considered only 23 of more than 200 federal organizations to compile an inventory of potential non-tax subsidies. The department did not include all regulatory organizations with mandates in the fossil fuel sector, nor did it include all research granting organizations or publicly funded projects. In our view, this is partly because the department used unclear definitions to guide its determinations.

Without having clear definitions of inefficient fossil fuel subsidies, and without providing decision-makers with advice that is based on complete assessments, the departments cannot ensure that they are providing the support needed for Canada to meet its commitment by 2025.

The Department of Finance and Environment and Climate Change Canada did not agree with our 2019 recommendations to clarify their definitions of "inefficient"; however, Environment and Climate Change Canada did agree with our other two recommendations on the identification and assessment of potential subsidies.

Mr. Chair, this concludes my opening remarks. We would be pleased to answer any questions the committee may have.

Thank you.

The Chair: Thank you, Mr. Hayes. That should give us something to chew on, I would think.

Mr. Giroux, the floor is yours.

• (1645)

[*Translation*]

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

Good afternoon Mr. Chair, vice-chairs and members of the committee. Thank you for the invitation to appear before you today, our first official appearance of the 43rd Parliament before this committee. We are pleased to be here today to discuss the committee's study on corporate subsidies.

As you mentioned, Mr. Chair, with me today I have Jason Jacques, director general, costing and budgetary analysis. I take credit for the good work and often assign blame to him for mistakes we might make. It hasn't happened yet, but if it does, that's a big part of the arrangement Jason and I have.

Under the Parliament of Canada Act, I am mandated to support Parliament by providing analysis of macro-economic and fiscal policy for the purposes of raising the quality of parliamentary debate and promoting greater budget transparency and accountability.

Some of you may know that the act also states that this committee can request that I undertake research into and analysis of matters relating to the nation's finances or economy. This special legislative provision is only available to the four committees listed in the act, which in addition to this committee, include the Standing Senate Committee on National Finance; the House of Commons Standing Committee on Public Accounts; and the House of Commons Standing Committee on Government Operations and Estimates.

[English]

In the 42nd Parliament, this committee benefited from this legislative provision by passing a motion to engage my office to prepare a regular economic and fiscal outlook. These types of motions not only allow my office to provide advance notice of the publication to facilitate committee scheduling and follow-up but also more importantly allow us to share our reports with committee members under embargo prior to publication, which provides members with the opportunity to conduct early in-depth analysis and review.

Jason and I will be pleased to discuss any suggestions you may have regarding how my office can best serve and support the work of this committee for this study and throughout the 43rd Parliament.

Although my office has not published any specific analysis of corporate subsidies, Jason and I will be pleased to answer your questions on this topic or any other issues of interest to the committee.

[Translation]

Thank you.

[English]

The Chair: Thank you very much, Mr. Giroux.

We will go to five-minute rounds to try to get at least eight members on, with a little flexibility for a little more than five minutes.

Mr. Poilievre, you are first.

Hon. Pierre Poilievre: Does your office, Mr. Giroux, have any models that correlate the tax burden to the number of jobs in the economy?

Mr. Yves Giroux: We do have models that are macro models that simulate the impact of certain tax policies or certain policies generally speaking. They show the impact of taking certain elements down or putting certain elements up to determine the impact on the economy.

Hon. Pierre Poilievre: Right.

Can you tell us the total amount the Government of Canada spends on what is colloquially called “corporate welfare”?

Mr. Yves Giroux: I don't have that number off the top of my head.

Do you, Jason?

Mr. Jason Jacques (Director General, Costing and Budgetary Analysis, Office of the Parliamentary Budget Officer): I think the challenge you pointed out by using the word “colloquially” is that there is generally no set definition with respect to corporate welfare.

Hon. Pierre Poilievre: Do you have a definition that you use?

Mr. Yves Giroux: We would generally use “support to businesses”.

Hon. Pierre Poilievre: Do you know what that number is?

Mr. Yves Giroux: I don't because it's a mix of tax preferences, deductions and credits, as well as direct assistance, loans, loans with preferential rates and loans that—as alluded to in the previous session—sometimes don't get repaid. There is a vast array of different types of support that are used by governments.

Hon. Pierre Poilievre: Does your model on the amount of taxation for each job loss...? Can you tell us, for example, if the government increased taxes by \$1 billion, how many jobs that would cost, if the money were to be generated through increased business taxes, for example?

Mr. Yves Giroux: It's something that could probably be generated, but obviously, I don't have that number off the top of my head.

Hon. Pierre Poilievre: The reason I'm asking is that, sometimes when the government gives these grants to companies, it does so as though the money is falling from the heavens rather than being raised out of the hands of workers and entrepreneurs in the real economy. If the government gives out \$1 billion, it first had to take that billion dollars away from a disparate group of people spread across the entire economy. When we have officials come here and claim that their grants have created x number of jobs, they never tell us how many jobs they killed to take that money out of the economy in the first place.

Could your office provide us with a model to explain how many job losses we have for, say, every million dollars of extra tax the government collects, for example?

• (1650)

Mr. Yves Giroux: I can get back to you probably in writing with an estimate. For example, if we can provide you with a rule of thumb, we will get back to you on that.

The other alternative.... You mentioned taxation. The government can also spend money or invest—whatever words we choose to use—through borrowing. It doesn't necessarily have to raise taxes, but eventually there will have to be some payment of interest on that, so it's—

Hon. Pierre Poilievre: We know the lender wants more back than he gave in the first place. The lending option might be even more damaging, because if the government's paying for its corporate handout through the deficit spending, then that corporate handout will have to be paid off over time by taxpayers. That could be even worse. That's not to mention the fact that it had to be borrowed out of the economy in the first place, to whatever extent it was raised through domestic lending. That was money that will not be lent to a private business. It will be lent to the government.

There's no free lunch, as economists like to remind us. I think that's one of the reasons we need to have this study. We continue to hear from the bureaucracies and the recipients of these government corporate welfare programs how many benefits they are bestowing upon us, but nobody can tell us—we had the departments here, and you're here now—the damage it does to take the money out of the economy in the first place.

I would take you up on your offer that you would provide us with a report listing how many dollars of taxation it takes to kill a job. Then secondly you would provide us with your inventory of the number the government is spending on these corporate subsidies, because it will say the government is spending \$5 billion on corporate handouts. How many jobs did it kill to take \$5 billion out of the economy in the first place and then put it back into the hands of a select and favoured few?

Are you able to provide us with those two parts?

Mr. Yves Giroux: If that's a motion of the committee, I would be happy to consider that.

The Chair: That is where we are at the moment. You will have to think about such, Pierre, either today or another day.

Go ahead, Ms. Dzerowicz.

Ms. Julie Dzerowicz (Davenport, Lib.): Thank you so much.

Thank you so much for both of your great presentations.

My first question to you, Mr. Giroux, is the following.

My Conservative colleagues have recently started to indicate that the economic situation in Canada is dire, our cupboards are bare and we have nothing left to sustain us in any type of fiscal or emergency crisis that might befall us as we are now undergoing the coronavirus.

You recently have put out, I believe, the “Fiscal Sustainability Report 2020”. Can you kindly describe the state of our current fiscal situation?

Mr. Yves Giroux: I'll describe the state of the economy first because that was also the premise of your question. We have noticed

that economic growth has slowed sharply in the last quarter of 2019. We expect growth to be relatively modest in the first quarter, and that was before the oil price decline of recent days and the rail blockade. We expect growth to be barely positive in the first quarter of 2020.

With respect to the fiscal sustainability report, we released a report earlier this year that takes a long-term perspective of government finances—provincial and federal. In that report, we define fiscal sustainability as having the same debt-to-GDP ratio at the beginning of the period and at the end of the period. Granted, it's an arbitrary point, but that's the best definition that we could come up with in terms of sustainability. That report shows that in the absence of any changes in policies, the federal government has no fiscal sustainability issues, so it's financially sustainable. It has wiggle room to the tune of \$41 billion to reduce taxes or increase spending, or a combination of both.

At the provincial level, it's a totally different story. In the aggregate, provinces need to make adjustments of \$6 billion—\$6.6 billion if my memory serves me well—with different pictures, depending on the provinces and territories. Some provinces are already sustainable through relatively high taxes that are matched with high spending in some cases, but taxes that match spending. Others are in more difficult financial situations for which there will need to be some adjustments over a 75-year horizon—that's important—and assuming status quo policies, which we know won't happen. That's why we call these projections rather than forecasts. We know one thing: This is not what will happen. There will be changes before that, for sure.

• (1655)

Ms. Julie Dzerowicz: The reality is that you make the best conclusions based on the information that you have right now.

Mr. Yves Giroux: Exactly.

Ms. Julie Dzerowicz: I note that in your report you said, “Current fiscal policy at the federal level is sustainable over the long term.” I also want to acknowledge that you've indicated that we have about \$41 billion of wiggle room, which I think is great. I think that's very helpful.

I just wanted to put that out there.

Mr. Sean Fraser: [*Inaudible—Editor*]

Ms. Julie Dzerowicz: I wouldn't say that. I think that the reason you actually have that is that we have been saving for rainy days. I don't think that we want to be spending everything that is in our piggy bank. I do think that maybe the coronavirus might be one of those things we might be looking at.

I thank you for that.

I want to turn my attention very quickly to Mr. Hayes because I only have a minute left. Fossil fuel subsidies and their quick and urgent elimination are a top priority for Davenport residents, and that's the riding I'm very honoured to represent. How do we get to a solution? Is it a matter of finance and environment getting together and better defining inefficient and efficient subsidies, or do we need some external body to help us out?

Mr. Andrew Hayes: I will start by saying that the government has eliminated a number of tax-based measures that we would call fossil fuel subsidies. Our concern moving forward, I would say, would largely be with the non-tax subsidies, with Environment and Climate Change Canada being the lead on that side of it.

Our concern was that the analysis that they performed was not based on a strong definition. They didn't include all of the agencies and departments that should have been included in that analysis.

Those would be the two starting points for that.

Ms. Julie Dzerowicz: I appreciate that.

I'm at my five minutes.

Thank you.

The Chair: You are out of time.

Mr. Ste-Marie.

[Translation]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Good afternoon, everyone. Thank you for being here. It's very much appreciated.

My question is for Mr. Giroux. I'll go back to what Ms. Dzerowicz was saying earlier. She talked about your studies and the financial viability reports. The findings of your studies is that there is some flexibility at the federal level, but that it is less clear in Quebec and in the provinces, when you look at them as a whole.

Do you think this could indicate that there is still a fiscal imbalance between federal and provincial revenues and expenditures today?

Mr. Yves Giroux: In my opinion, it is very clear that flexibility at the federal level is due to the fact that federal spending—again, it is important to say that it's within the current parameters—are mainly transfers to the provinces and to individuals. Transfers to the provinces are legislated. Their growth is tied and capped, in some cases, at 3% or the growth of nominal GDP. It is therefore contained growth.

With respect to transfers to individuals, there is employment insurance, which is a self-financing program over the medium term. There is also the guaranteed income supplement and old age security. The growth of these payments is once again limited to inflation and population growth, of course. Federal spending, as a whole, is therefore constrained. We have put the structural lid on the pot.

At the provincial level, again over the long term, the main driver of expenditure growth is related to health expenditures. Unfortunately, experience has shown that the older people get, the more expensive their health care costs become. That is one of the disadvantages of aging. In addition to losing our hair, it costs more in terms

of health care. So the provinces have a lot of costs that they can't control, while the federal government can control its spending.

One possible solution, of course, would be to increase transfers to the provinces, especially those facing the greatest challenges.

● (1700)

Mr. Gabriel Ste-Marie: Thank you very much for that clarification. I couldn't help but address this issue, even if it strays a bit from our main topic.

The debate within the committee on the subject at hand is this one. When the government spends a dollar in subsidies of any kind in support of business, is it for election purposes and to help its friends, or is it for the purpose of growth and support for economic development?

Mr. Hayes, you said there could be a financial accounting analysis, but the advantage of government support is that you can also juggle parallel gains, like public good, that can't always be accounted for.

My question is for the representative of the Office of the Auditor General and the Parliamentary Budget Officer. To your knowledge, is it possible to have a tool that measures the impact of every dollar spent in support of a business? What is the economic impact in terms of financial impact?

Mr. Andrew Hayes: At the OAG, we examine the government's actions. So it's not our job to design a tool like the one you're talking about.

Mr. Gabriel Ste-Marie: But when you look at what has been done in the past, you're able to assess whether it was a good or bad investment for the economy.

Mr. Andrew Hayes: We look at the government's plans and actions according to specific criteria. Many of these criteria come from the government.

Mr. Gabriel Ste-Marie: Thank you.

Mr. Yves Giroux: I'd offer an answer to that question from a slightly different angle.

It's very difficult to measure the benefits of investments or expenditures such as research and development supports or credits that will encourage young people to learn non-university trades through an apprenticeship system, because there is often a strong attraction to university. Parents encourage young people to go to university. These are good paying jobs, but they have little appeal to young people.

It's difficult to measure the tangible benefits of these issues. That's why, to my knowledge, there aren't many accurate accounting ways to measure the benefits. It's also why, in many of these programs, the criteria are created by people who are elected and represented by the public. As they say in Latin, "*vox populi, vox Dei*". This is the role you play as parliamentarians. The people on this side of the table are not well positioned to play it.

Mr. Gabriel Ste-Marie: Thank you very much.

[English]

The Chair: Thank you both.

We have Mr. Julian and then Mr. Cumming.

Mr. Peter Julian: Thanks very much, Mr. Chair.

Thanks to our witnesses for coming forward.

This is an important study because Canadians are really strapped. They're not able to pay for their medications. They're having difficulty finding affordable housing. Canadians have the highest family debt load of any industrialized country. At the same time, they see money being given to very profitable corporations—like Loblaw's, for fridges—rather than seeing money actually provided for investments that help everybody.

I'd like to start with you, Mr. Hayes and Ms. Miller.

The whole issue of fossil fuel subsidies is also something that people raise because of the issues around climate change. Do you have an estimate of how much is currently provided as fossil fuel subsidies? In your experience, when you've asked for analysis around fossil fuel subsidies, how is the government in terms of providing access to that information?

• (1705)

Mr. Andrew Hayes: I'll start with the second question.

In the 2017 report, which was presented as an Auditor General report, we did encounter difficulties in receiving the information we needed to be able to conclude on whether the government had analyzed the fossil fuel subsidies.

Mr. Peter Julian: The government wasn't co-operating, basically.

Mr. Andrew Hayes: I wouldn't say that, because at that point in time the government explored our access rights and resolved the issue in 2018, which was the reason we went back to look at the issue and reported on it in 2019. I can say that in 2019 we received all the information that we required to be able to conclude our audit work.

In terms of your first question, I don't think we have a number for the amount that is spent or that is eaten up by fossil fuel subsidies. I would say that the tax expenditure report would be a good place to start. The department might have information that it can provide to you.

We did comment on the tax expenditure report in an audit in 2015 on tax-based expenditures. I can say that our office has not gone back to audit that, but we have noticed improvements in the information in the tax expenditure report.

Mr. Peter Julian: Thank you very much for that.

Of course, the Trans Mountain subsidy, which is now over \$17 billion and counting, is something that needs to be taken into consideration as well. I appreciate that.

I'll move over to you, Mr. Giroux. You're a hero to many of us across the country, with that landmark report last year looking at the incredible impact of tens of billions of dollars of overseas tax havens. There have been very large loans that have been made to big profitable corporations. Often those loans are forgiven afterwards, so Canadians see that as a massive subsidy. When millions of dollars are given to a company and it never has to pay that back,

it raises the question to what extent the government is even evaluating how it is handing out money.

You have indicated that you would accept guidance from this committee. Would the PBO be interested in doing a study on this loan forgiveness and other types of corporate subsidies, corporate welfare, if a majority vote of this committee directed you to do that?

Mr. Yves Giroux: I was once told early in my career that what interests my boss becomes my passion.

Voices: Oh, oh!

Mr. Yves Giroux: If the committee has an interest in this type of work and passes a motion to that effect, we will certainly become very passionate about this issue.

Mr. Peter Julian: Yes, so this is not something the PBO has tackled before, either the issue of massive loan forgiveness or other types of corporate welfare.

Mr. Yves Giroux: It's something that we wanted to look at, especially the issue of loan forgiveness, in the previous Parliament, but we ran out of time. The election arrived, as it was scheduled to arrive, but we never got to that part on our work plan: the issue of how loans get written off and the implications. It was a suggestion from a parliamentarian. We thought it was very interesting, but we never got to that.

Mr. Peter Julian: If we gave that direction from the finance committee, is it fair to say that the work plan is already in place? Would you be able to give us a sense of what the timelines would be for the PBO and what you would need from the finance committee in order to do that?

Mr. Yves Giroux: A motion would be very useful, because that would take precedence over many other things in my work plan. The more precise the parameters are, the more helpful it is for me as I align the work of the office with the direction the committee wants to hear about. We can have discussions with the clerk of the committee and analysts of the committee to see what would be the best way forward in terms of specific parameters. Based on that, we can get back to you with the timelines.

Mr. Peter Julian: Thank you.

The Chair: Before I go to Mr. Cumming, it was said rather quickly by Mr. Julian, but he basically said Trans Mountain is a subsidy. Do you consider the purchase of Trans Mountain a subsidy? I consider it the purchase of an asset. I think we need to define this because we hear it from Mr. Julian quite often that the Trans Mountain purchase is a subsidy. Is it not the purchase of an asset for certain purposes by the Government of Canada?

• (1710)

Mr. Yves Giroux: Whom are you asking, Mr. Chair?

The Chair: I'm asking whoever wants to answer. Both of you can answer, if you like.

Mr. Yves Giroux: I think if it's whoever wants to answer, nobody will answer.

Voices: Oh, oh!

Mr. Yves Giroux: I'll answer.

It's the purchase of an asset at this time, but time will tell whether it's the purchase of a revenue-generating asset or a loss-making asset. When we find out the resale value, because the government's intention has always been to sell it back to the private sector, if the government sells it for less than the price it cost, it will have been an indirect subsidy. If the government can make a profit selling it to the private sector, then it will have been maybe a wise investment.

I'm not a betting man. I won't try to predict which way it will end. Maybe my colleague has a better answer.

Mr. Andrew Hayes: I might just add one piece.

I am also not a betting man, but we did mention in our 2019 report when we were looking at non-tax subsidies that, although the purchase of the Trans Mountain pipeline was after our audit period, this would be the sort of action that we would expect Environment and Climate Change Canada at least to consider in terms of their analysis.

The Chair: All right. We'll have Mr. Cumming, and then we go over to Mr. McLeod.

Mr. James Cumming (Edmonton Centre, CPC): Thank you.

Thank you to all of the witnesses for being here today.

Mr. Giroux, I'll start with you or Mr. Jacques. Either of you can probably deal with this.

We heard from other witnesses today on some specifics. For example, BlackBerry received money from the federal government towards subsidy of a larger program that they put capital into. The argument was that, in the work plan or the application that was put forward, there would be jobs retained or added. It strikes me that this would be difficult to determine because the private sector had already put money into the project. Which was responsible for which? Did it really add that much value?

I get to Mr. Julian's point of view on a study of the use of public dollars towards these sorts of events. The list of departments within the government that are in the business of handing out money for a variety of different programs is enormous. I went through it in preparation for this meeting, and I was shocked by the depth of it.

Within the study, would there be the opportunity to look at...? We could look at the efficiency of those programs, whether there were jobs created or whether the loans were repaid and the efficiency of that.

I want to come back to my colleague's observation. Would there be a way to study if that capital was made available to the private sector through a reduction in taxes or a reduction in burden and the potential job creation of having that money back in the economy rather than picking companies or picking sectors? It strikes me as incredibly dangerous. We have a lot of small businesses that do not partake in any types of subsidies. They're just trying to make a living, and without having measurables or being able to figure out the efficiency of these programs, perhaps we'd be better off just coming

up with a tax strategy that creates investment and brings investment in.

Do you have any comments on that?

Mr. Yves Giroux: I have probably one general comment.

Based on my general knowledge of businesses in the country, what I've seen is that when you ask entrepreneurs and business owners what their biggest irritant is, they will always rank as the top two—and they will compete for top spot—taxes and red tape. I've rarely seen the lack of government support or subsidies being in the top two.

Maybe it's a policy choice, and maybe I'm venturing too close to the line of policy choice, but reducing taxes, if that's the trade-off to reduce subsidies, reduce taxes and reduce red tape, based on what I've seen, it wouldn't seem out of line.

That said, there are very valid policy reasons that some subsidies are being provided. As elected individuals, you are in the best position to make these judgment calls—for example, on the need to have a defence sector that is strong so that Canada does not rely on other countries to procure its weapons or in the defence sector.

What I'm trying to say is that there are a lot of considerations, but it certainly would be possible to look at what the impact would be in terms of reducing taxes, and how many jobs that could potentially create.

The part of the ledger that would be more difficult to determine is how many jobs would be lost if we took away all these subsidies to corporations. It's very difficult to measure. As you alluded to, sometimes it's jobs created, sometimes it's jobs maintained, and that's quite difficult to determine. Is it true? Is it 40 jobs? Is it just two or more than that? Evaluating these programs is very difficult.

I've given free range to Jason to kick me, but the table separates us so he can't.

● (1715)

The Chair: Jason, do you want to add anything?

Okay, Mr. McLeod.

Mr. Michael McLeod: Thank you, Mr. Chair, and thank you to the presenters.

I want to ask a question regarding the 2020 fiscal sustainability report. I'm from the Northwest Territories, so my interest is in the north.

On page 27 of your "Fiscal Sustainability Report 2020", tabled last month, you determined that policy actions equivalent to 11.4% of territorial GDP are required for territories to achieve fiscal sustainability ranges. Given the limited tools that territorial governments have, what actions could they take to address that gap?

Mr. Yves Giroux: Unfortunately, there are not that many tools. It's either reduce spending, which would be very difficult considering the needs of populations in the north, or increase taxes, which is not a very palatable solution in many jurisdictions.

It's either that, a combination of that or seeking additional transfers from the federal government, but the TFF, territorial formula financing, is already quite generous compared with other transfer programs. Under current policies, we don't see that many alternatives. It's reducing spending, increasing taxes or more generous transfers from the federal government. Unfortunately, there are not that many solutions.

Mr. Michael McLeod: The Northwest Territories and the other territories have a different type of relationship with the federal government. The federal government still has certain responsibilities that they have control over and are responsible for.

Would significant federal investment in nation building, transportation or hydroelectric infrastructure projects that create jobs, that lower the cost of doing business and spur investment opportunity, be one way that we could look at addressing this gap?

Mr. Yves Giroux: Certainly. Any investments that would increase the GDP or enhance the productivity of the territorial governments or the territorial businesses, that would increase the tax base more generally, would reduce that gap. It would contribute to faster growth in the north. It would certainly help businesses grow and the private sector expand, and expand the tax base, generating more revenues for the territorial governments.

Mr. Michael McLeod: The TFF, the territorial formula financing agreement, has been an issue for some time now. It's a very small pot of money. The numbers that are accumulated in that fund are our housing corporation, Deh Cho Bridge and the power corporation. All these projects have revenue generators. Would you agree that something that could be looked at is moving it out of what is considered debt into a different category so that they can make more room?

Mr. Yves Giroux: I have to admit I would have to look into it in more detail. I'm not familiar with all the intricacies of the various government entities in the north, whether it should be out of the government perimeter or whether it should be part of the debt ceiling or not. I worked on that in a previous life, but it's been a while.

• (1720)

Mr. Sean Fraser: Is there time remaining?

The Chair: You're pretty well out of time.

We'll go to Mr. Poilievre, and then back to you.

Hon. Pierre Poilievre: Have you been able to get a list of all the projects the government has funded so far under its infrastructure program since it took office in 2015?

Mr. Yves Giroux: We've asked that question many times. We never were able to get a full list. I think the issue is that there is no centralized record holding at Infrastructure Canada because the various programs are delivered by multiple departments and a list doesn't seem to exist. We've asked more than once—and Jason can attest to that as Jason was part of these discussions—and we never got a complete list of projects under the investing in Canada plan or the infrastructure programs.

Hon. Pierre Poilievre: How much money have they spent on this program so far?

Mr. Yves Giroux: So far it's tens of billions, certainly.

Hon. Pierre Poilievre: They don't know where it went.

Mr. Yves Giroux: If they know, they're not telling us all the details of where each dollar went.

Hon. Pierre Poilievre: You don't have a list of projects that adds up to the total. Is that right?

Mr. Jason Jacques: We currently do not have a list of projects. At the behest of interested members of the House, we did follow up with Infrastructure Canada and the government in January with an updated information request. We are in active and ongoing negotiations with Infrastructure Canada and multiple departments and agencies to try to compile a list.

Hon. Pierre Poilievre: Compile a list....

Mr. Jason Jacques: It has taken potentially a little longer than we anticipated.

Hon. Pierre Poilievre: If I go to the grocery store and spend a small fortune on groceries, and my wife asks what the hell I spent 500 bucks on, she'd expect to see an item-by-item receipt.

Wouldn't you, honey? She's back there.

Voices: Oh, oh!

Hon. Pierre Poilievre: But you're telling me, when the Government of Canada spends tens of billions of dollars on infrastructure, it can't give us an item-by-item list? It doesn't have one ready?

Mr. Yves Giroux: We can't comment on his marital situation.

Voices: Oh, oh!

Hon. Pierre Poilievre: Anyway, listen, can you comment on the government's list of projects? They claim they spent tens of billions of dollars on infrastructure, and you're telling me you've asked for a list of the projects and so far no such list has been forthcoming. Is that a true statement or a false statement?

Mr. Yves Giroux: It's a true statement. No complete list has been forthcoming. We have only a partial list.

Hon. Pierre Poilievre: How many billions of dollars are missing from the list?

Mr. Yves Giroux: Do you know? I don't know.

Mr. Jason Jacques: It's about half the program.

Hon. Pierre Poilievre: The program has spent tens of billions of dollars, and about half of the money is unaccounted for, or at least not on a list.

Mr. Jason Jacques: We're driving towards a single comprehensive spreadsheet in the office with a list of all the projects that have received money since 2016. Hopefully that list will exist soon.

Hon. Pierre Poilievre: It should be a pretty simple list to have. When you build stuff it's out in public view. People will see the construction happening at each of these sites. It can't be that hard for an official to note each of these multi-million dollar projects and show they add up to the total amount spent. How is it even possible that they're spending tens of billions of dollars on infrastructure and they don't have a list to tell us where all the money went?

Mr. Jason Jacques: At this point you're looking at me, but I would kick the question down the table to my earnest colleagues from the Office of the Auditor General.

Hon. Pierre Poilievre: Okay, I understand the Auditor General's office is now taking Parliament's direction, after a recently held Conservative-initiated vote, to have a full audit of infrastructure spending. When will that audit commence?

Mr. Andrew Hayes: The audit has commenced. We informed the Speaker a few weeks ago that we had accepted the motion on our work plan, and we're endeavouring to complete it in the time frame that had been requested in the motion.

Hon. Pierre Poilievre: This should be one interesting report. Have you been able to get a full list of all the projects yet?

Mr. Andrew Hayes: I can't say that I've been involved in that, so I don't know what the answer to that question is.

Hon. Pierre Poilievre: Okay. Can your office get back to our committee on it?

Mr. Andrew Hayes: I would only say that normally the office would report, in the final report, the information that we gather during our audit.

• (1725)

Hon. Pierre Poilievre: Chairman, I hope that we find this money.

The Chair: I can't answer that question, but I do expect there'll probably be a question on this in the House, Pierre. I think I can see one coming tomorrow.

Mr. Fraser.

Mr. Sean Fraser: Thanks very much, Pierre. I might actually get a break in question period tomorrow.

Voices: Oh, oh!

Mr. Sean Fraser: There are a couple of things I wanted to follow up on in the time that we have remaining. There have been some questions around your potentially receiving an invitation from this committee, through a motion, Mr. Giroux, to consider the cost of pulling money out of the economy through taxation. I think you quite properly pointed out that borrowing is another way to finance government expenditures.

I was taking a look, since that question came up, at the rate of the 30-year Government of Canada bond. It's currently at 0.704%, which is effectively the rate at which the market will lend to the federal government. I'm curious if you would be able to, technically speaking, in this kind of exercise, assess whether the return on investment of government expenditures to support business growth

would exceed the borrowing rate that the Government of Canada is benefiting from, which is, realistically, at a historic low.

Mr. Yves Giroux: To answer that question I'd have to be able to look at one specific program because, as you know, there are a variety of programs that provide support to businesses. They have different purposes and, obviously, different returns on investment.

Mr. Sean Fraser: From a technical perspective, though, if you look, say, at the strategic innovation fund or the Atlantic innovation fund, and so on, would you have the ability, potentially, to calculate what the return on the investment of those funds would be? You did mention there would be some difficulties in actually landing on the right figure, but is that something within your technical capacity?

Mr. Yves Giroux: Yes. It depends on the quality of the data we would get from the department. Obviously, if we get data of poor quality or that is incomplete, it would not be possible to determine the benefits or the returns. If we get good, solid data it's something that we could do.

Mr. Sean Fraser: In your view, if the return on that investment were greater than the rate of borrowing, would it not make it a potentially sound investment to be looking at these kinds of programs?

Mr. Yves Giroux: It depends on the cost of borrowing that you're looking at. You have to look at the cost of borrowing over the lifespan of the program, when the program was first launched and so on. It would have to be significantly higher than the cost of borrowing to take into consideration the impact of either taxation or the cost of setting up the program. There are administration costs, of course. These factors would have to be taken into consideration as well.

Mr. Sean Fraser: Certainly.

I have one final question in the one minute we have, just to build on a point made by Ms. Dzerowicz. You indicated that there's essentially—I forget who used the phrase—wobble room to the tune of \$41 billion in the federal fiscal sustainability model that you've calculated. Is that an annual figure?

Mr. Yves Giroux: Yes.

Mr. Sean Fraser: Obviously in the news the dropping price of oil or the coronavirus is getting a lot of attention. To the extent that we need to respond due to certain global challenges, is it your view that the federal government is in a healthy enough fiscal position to actually respond to challenges like this, given the \$41 billion of annual wobble room that you've pointed to in the recent report?

Mr. Yves Giroux: I think the federal government has some capacity to respond to issues like that without entering into a debt spiral that would see its debt burden as a result of GDP becoming out of control. However, that assumes there are no other demands being placed on the federal government, that there are no other catastrophic events and that programs remain the same over a 75-year period.

Mr. Sean Fraser: I have one final, very quick question to cap this conversation off.

Where do we sit compared to our international partners? I'm thinking G7 countries or comparable economies in terms of our fiscal sustainability.

Mr. Yves Giroux: In terms of fiscal sustainability, I don't know off the top of my head, but in debt-to-GDP ratio, if memory serves me well, we're in the best third of the G7. I think we're in good company with the Germans and virtually everybody else is in a worse position than we are when we look at debt-to-GDP ratio.

Mr. Sean Fraser: Thank you very much.

• (1730)

The Chair: Thank you.

To the Auditor General, this wasn't a request but it was a suggestion. I just want to remind you of it so you can maybe pull it up again. In the finance committee's December 2016 budget, there was a suggestion that the Auditor General conduct a complete audit of the sale and disposition of the assets of the Canadian Wheat Board since the Marketing Freedom for Grain Farmers Act received royal assent. There is a concern by producers out there that there's still somewhere around \$300 million unaccounted for. That's in their December report. It's not a request; it's a suggestion that was made by the committee. You might want to pull that up and think about it.

With that, we've had an interesting couple of hours. I thank all the members and thank you very much to the witnesses for appearing.

The meeting is adjourned.

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