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• (1530)

[English]

The Chair (Kelly McCauley (Edmonton West, CPC)): Good afternoon.

Welcome, everyone, to meeting number four of the House of Commons Standing Committee on Government Operations and Estimates, known far and wide, of course, as the mighty OGGO, the only committee that matters.

I'd like everyone to remember to keep your headsets away from your microphones at all times so we can protect the hearing of our very valued and vital interpreters.

Welcome back, Mr. Jacques. You have some associates with you who, I understand, you're going to introduce. We'll start with you for five minutes. You have the floor, sir. Go ahead.

Jason Jacques (Interim Parliamentary Budget Officer, Office of the Parliamentary Budget Officer): Thank you, Mr. Chair.

Good afternoon to distinguished members of the committee. Thank you for the invitation to appear before you today.

[Translation]

I am pleased to be here to discuss our office's latest economic and fiscal outlook, which was published this morning. This report provides Parliament with a baseline projection of economic and fiscal outcomes under current policy settings, to support and inform your debates.

[English]

Our updated outlook presents a picture of an economy navigating significant global and domestic challenges. It incorporates new measures announced by the government since the 2024 fall economic statement with the exception of incremental measures to achieve the NATO 5% of GDP defence pledge and the government's comprehensive expenditure review. We will incorporate these and other measures when the government provides sufficiently detailed information. I'm now going to briefly summarize our findings.

On economic growth, we project growth in the Canadian economy to be modest this year and next, with real GDP growth averaging only 1.2%. This outlook is shaped by factors such as increased trade uncertainty and the implementation of tariffs as well as slowing population growth.

On inflation, we project inflation to remain near the Bank of Canada's 2% target and assume that the Bank of Canada will main-

tain its policy rate at 2.5% before returning it to its neutral level of 2.75% late next year.

On the fiscal outlook, we project the budgetary deficit will be \$68.5 billion—that's billion with a “b”—this fiscal year, which is 2.2% of GDP. Looking forward, we project the deficit will decline slightly but remain close to \$60 billion through the medium term.

On federal debt, we project that the federal debt-to-GDP ratio will be 42.5% of GDP this year, rising over the medium term and remaining well above its pre-pandemic level.

Mr. Chair, in the spirit of providing the clearest and most direct information to this committee, I'm proposing to try a slightly different approach today. With me at the table are the lead analysts and directors who were responsible for preparing this outlook: Diarra, who is in charge of our economic forecast; Kristina, who is in charge of our budgetary and fiscal outlook; and Tim, who looks like my security guard but is responsible for our work on tariffs. They're the experts who built the models and performed the analysis that underpins the report you have before you.

[Translation]

While I am, of course, prepared to answer any and all of your questions, I believe the committee's work will benefit from the opportunity to hear from them. With your permission, I have asked my colleagues to respond directly to your questions regarding the economy, tariffs and fiscal outlook.

Our office remains steadfastly committed to its core mandate: providing independent, non-partisan analysis of the nation's finances and the economy.

Thank you for your time. We are now happy to answer your questions.

• (1535)

[English]

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

I'll start with Mrs. Block for six minutes, please.

Kelly Block (Carlton Trail—Eagle Creek, CPC): Thank you very much, Chair.

Thank you to you, Mr. Jacques, and to your colleagues for joining us here again today. It's good to see you in just one short week since your previous appearance. I do appreciate the report that you tabled and look forward to the answers that you and your team are going to provide today.

In figure 1 of your report, you no longer predict the debt-to-GDP ratio improving. In fact, it would appear that what was once a fiscal anchor has now been abandoned by the Prime Minister and his government, as your report indicates the debt-to-GDP increasing to a clearly alarming rate of 42.5%.

Is this sustainable? At what point does it hit a critical point? Should Canadians be concerned?

Jason Jacques: To answer I think the most important part of the question first, everybody should be concerned. Jokes aside, it's a really serious day, right? This is the first time in 30 years that we've tabled an economic and fiscal outlook where the fiscal anchor... The general and probably most important fiscal anchor for any government is a declining or at least stable debt-to-GDP ratio. This is the first time in 30 years that I've seen one in which that ratio is going up over time. That's definitely a cause for concern.

Certainly on our end we're hoping and certainly expecting the government, as part of budget 2025, to clearly indicate what the government plans to do to address this problem, because it's certainly not sustainable.

Kelly Block: Thank you.

In response to your last statement, again under the current leadership, this government is set to worsen the outlook of our debt. Have you had any indication that it is going to change course?

Jason Jacques: The government has indicated that they're planning on tabling a budget on November 4. Certainly looking at the public statements of the Prime Minister and Minister of Finance, I don't think these numbers come as a surprise to them. Some of the language that the Prime Minister has used certainly has been very strong with respect to the economic and fiscal challenges that are facing the country right now. Again, we look forward to seeing the government's plan to manage or address the challenges that Canada faces.

As the Parliamentary Budget Office, and as we discussed last week, our job is to set the table for parliamentarians, to present numbers to you so as parliamentarians you're well prepared to engage in thoughtful and meaningful discussions regarding how this projection hopefully will not come to pass.

Kelly Block: Thank you.

In your opening statement, you spoke to the fact that this outlook does not include incremental measures to achieve our North Atlantic Treaty Organization commitments. I'm wondering if you would be able to comment on what other spending that may have been included in the Liberal platform is not included in your numbers.

Kristina Grinshpoon (Director, Fiscal Analysis, Office of the Parliamentary Budget Officer): The last time I looked, there's about \$20 billion or so in spending that has not yet been included in our outlook from the Liberal platform, if it does come to pass. We

will see on November 4 what they will announce and what they don't announce, but roughly that is what is not included in our outlook right now.

Kelly Block: Thank you.

Last week we talked about the government looking to change the rules for accounting and splitting out capital and operating and how they may choose to define those things. I can't find a rationale from the government on why they would overturn a long history of accounting practices with the budget.

Can you explain why the Liberals are separating the capital and operating budgets? Why can't they demonstrate progress in the economy without making these changes?

• (1540)

Jason Jacques: I would note that the government up to this point has indicated that they're planning on maintaining the existing presentation of data, so the traditional measures of debt and deficit you see in the public accounts that everyone is used to, in addition to presenting this new framework of splitting the operating and capital budgets, or day-to-day spending plus some sort of investment. It's an approach that happens in other jurisdictions. To the best of my knowledge, pretty much every Canadian province has an operating budget, a standard budget, plus an investment budget. As we discussed last week, the City of Toronto does the same thing. To the extent that it can be additive and helps parliamentarians understand that potentially more money needs to be borrowed over the short term in order to make investments to transition to longer-term sustainable economic growth, potentially at a higher level, it could potentially be useful.

Going back to the point—

The Chair: I'm sorry; I have to cut you off. We're passed our time. Perhaps we can get back to it next round.

Ms. Sudds, please, for six minutes.

Hon. Jenna Sudds (Kanata, Lib.): Thank you very much.

Thank you for being with us here again.

It's my understanding today that we actually have two reports that were tabled. Although your opening remarks leaned heavily, of course, on the economic and fiscal outlook, I want to spend a bit of time as well on the "Federal Infrastructure Spending", if I may.

First, just to be clear, the report is reflecting infrastructure across the entire government, not just within the Department of Infrastructure. Is that correct?

Yes, okay. Thank you.

I have an obvious question that I don't think was addressed. Just what needs to happen? What can government do in order to make the system better?

Jason Jacques: It's a really good question. As interim Parliamentary Budget Officer, I am not particularly well placed to answer it from a government-wide perspective. There's something that we do mention in the report and that definitely jumped out to us. We've been tracking infrastructure spending across government since 2016, when the federal government made a big push to increase spending and infrastructure spending writ large and spread it out across various departments. A recurring theme is that it's exceptionally challenging and very difficult to actually pull all the data together. Unfortunately, it continues to be the case.

That's the first thing, if one was looking for an opportunity to actually fix, improve, the area of infrastructure spending across the federal government. Simply keeping track of it in a better way would be useful for everyone. As well, linking to the previous question with respect to the presentation of operating and capital budgets, infrastructure spending and these transfers are payments that go out to other levels of government. It's not traditional capital spending on federal assets. Conceivably, you would want to incorporate it as part of your capital budget. If you're not tracking it, if the government is not tracking it, it's going to be really hard to actually do that. That's probably one of the key challenges that the government and the public service is going to face.

Hon. Jenna Sudds: Excellent. Thank you for that.

I am curious about your thoughts as to whether the Infrastructure Bank is helping to reduce the infrastructure deficit in the country.

Jason Jacques: I don't think as interim Parliamentary Budget Officer I have an opinion on that. We haven't looked at the specific contribution that the Infrastructure Bank makes to alleviating or reducing the infrastructure deficit across the country.

Hon. Jenna Sudds: Perhaps in a future study it's something to dive into. There is certainly quite a bit of activity there.

To your earlier comment about the desperate nature of the infrastructure spend, who should be tracking the infrastructure spend across government if it was to be a centralized authority?

• (1545)

Jason Jacques: Again, as interim Parliamentary Budget Officer, I don't think I have an opinion with respect to, within the government, among the federal departments who is tracking it, only that there is somebody who is tracking it centrally, that there are clear definitions, and the information is obviously being fed to the relevant minister and the Department of Finance on a relatively frequent basis. This applies both in terms of planning on the budgeting side, so how much of the budget is going to be split into operating and capital, and also how much money is actually going out the door in a timely way. As part of the work we have done on infrastructure in the past, that was another one of the interesting findings. Notwithstanding the budgetary announcements for many new programs, there ended up being challenges in actually spending the money as originally anticipated. Of course, in some situations, the money is transferred to other governments. It's hard for the federal government to actually tease out precisely how it was spent.

Hon. Jenna Sudds: Thank you.

Our government has been quite clear and has been on the record about the desire to leverage more private capital particularly for

things like infrastructure. Do you view this positively and what is the best way that this could happen, such that it benefits Canadians?

Jason Jacques: Looking at the infrastructure deficit across the country and looking at the government's interest in increasing capital spending writ large at this point, obviously you'd want as many sources of capital as possible as opposed to exclusively relying upon the federal government and its balance sheet to borrow the additional money to make the contemplated investments.

In terms of how that would best be done, if you look at the balance sheet of the Government of Canada, there are some things they've already done in the past, starting with the straight borrowing of additional money, making those investments themselves on the assets that they own and borrowing the money and potentially funding another organization like the Canada Infrastructure Bank that could potentially partner or make investments or provide loans or, potentially, loan guarantees. There's a suite of options available to the government.

The nature of what you do really depends on the nature of the asset you're looking at. There are some projects that are very large and potentially very high risk, and it potentially makes more sense, if they want to see the projects done, for the government to intervene in that situation because the market won't naturally intervene and actually make it happen.

The Chair: Thank you very much.

Ms. Gaudreau, please go ahead for six minutes.

[Translation]

Marie-Hélène Gaudreau (Laurentides—Labelle, BQ): Mr. Chair, when I received the document at 9:00 a.m., I obviously read it in full very carefully. That's why I've prepared more than 10 very specific questions.

First, which is most concerning? Is it the increase in the debt-to-GDP ratio, or is it the lack of a specific budget plan?

Jason Jacques: I think it's the increase in the debt-to-GDP ratio. According to the Government of Canada, there will be a plan on November 4. In all honesty, even before we published our figures, it was clear that Canada was facing a major challenge. However, we were stunned to see the numbers and the increase in debt relative to the size of our economy.

Marie-Hélène Gaudreau: Okay. We're looking forward to November 4. For the moment, we have the picture of the current situation.

The Prime Minister presented himself as an international banker. Do you think he's taking the economic and fiscal situation seriously?

• (1550)

Jason Jacques: I'm not a psychologist. As the interim Parliamentary Budget Officer, I'm not in a good position to assess the mental state of the Prime Minister of Canada.

Marie-Hélène Gaudreau: Does your forecast include the new spending promised in the Liberal Party's election platform?

Jason Jacques: No.

Marie-Hélène Gaudreau: I'm thinking in particular of the promise to increase military spending to 5% of GDP. With this new spending taken into account, what's your estimate of the debt-to-GDP ratio?

Jason Jacques: I don't think we've done any calculations on that, but we could provide some numbers to the committee in the upcoming days.

Marie-Hélène Gaudreau: Okay.

We're all seeing that spending is going up. The federal budget has a concerning trajectory. It's as if a family were watching their income decrease, but they didn't adjust their financial plan accordingly.

What do you think?

Jason Jacques: Yes, that's a good analogy. We're waiting for the November 4 plan.

Marie-Hélène Gaudreau: Until then, it's important to think about the future. Based on the current situation, without the restructuring of public finances and without a plan, what will be the consequences for Canada in 10 years?

Jason Jacques: Absolutely. I think we used the word sustainable in our report. It's an important word. This isn't sustainable in the long term. That's shocking, and that's why we're very much looking forward to seeing the Government of Canada's plan to rectify those forecasts.

Marie-Hélène Gaudreau: You're saying that the federal government's finances aren't sustainable. This reminds me of three rules of the International Monetary Fund, or IMF, when it comes to budgets: A budget has to be clear, it has to be simple, and it must not be manipulated by the government.

Based on those three criteria, what grade would Canada get?

Jason Jacques: I don't know. Last week, the Prime Minister gave some clarification on the Government of Canada's fiscal anchors. We still have some questions, though. Progress has been made, but it isn't clear yet.

I would say the grade would be a C right now. As I tell my children, there are still a few evaluations left, and there's still time to improve the work.

Marie-Hélène Gaudreau: Thank you.

I think that's my time.

[English]

The Chair: You have 25 seconds.

[Translation]

Marie-Hélène Gaudreau: In the medium term, what are the consequences of the current situation for taxpayers?

Jason Jacques: It's clear that there has to be an increase in revenue or a decrease in spending, if not both at the same time. The current situation isn't sustainable. I imagine that the people at the

Department of Finance know this and that the plan that will be presented on November 4 will show that there will be changes.

Marie-Hélène Gaudreau: Thank you very much, Mr. Chair.

[English]

The Chair: Before we go to our five-minute rounds, as is the custom, we let the first round run a bit longer for more fulsome answers. Going forward, can everyone keep an eye on the clock?

Mr. Patzer has the floor for five minutes, please.

• (1555)

Jeremy Patzer (Swift Current—Grasslands—Kindersley, CPC): Thank you very much, Mr. Chair.

Thank you, everybody, for being here today.

I think it's important to take a look at table 2 here for people back home.

The public debt charge for 2024-25 is \$53.6 billion. That projection is going to increase in 2030 to \$82.4 billion. Is that sustainable?

Kristina Grinshpoon: We also see that the servicing ratio is increasing on the projection horizon. Every dollar spent on debt is a dollar that is not spent elsewhere.

As Mr. Jacques said, the debt-to-GDP ratio is something that we look at in terms of sustainability. That is what we are tracking, and that is what we are very focused on.

Jeremy Patzer: That was one of the hallmark fiscal anchors of the Trudeau government, right? When it was 30.8% it was never going to go higher than that. That was their commitment, yet here we are. In the table here it's 41.7%, increasing to 43.7%.

Again, how alarming is that for the average Canadian taxpayer? There is only one payer, right?

Jason Jacques: I'll hazard a response.

It should be very alarming, right? I think I used the words in French—which the translators probably got really well—“stupefying, shocking”.

It's not a funny fiscal outlook. It's a really serious fiscal outlook. We don't lightly use the word “unsustainable”. Unsustainable means you don't have the option of saying, “Maybe I'll wait a couple of years and see how things go.” It means, if you don't change, this is done.

It's very serious, and I think as anyone who's managed a household budget knows, if you sit down at the end of the month and you don't have enough money to pay your bills, and it happens month after month after month, you know that something's going to break.

Jeremy Patzer: Along that line, to look at the federal debt number in table 2, in 2024-25 it's \$1,281 billion, and in 2030 it's up to \$1,655 billion. What impact does that have on the Canadian economy and for businesses, taxpayers and the people who are supposed to be the ones generating the wealth, when we see the government is in debt \$1,655 billion in the year 2030?

Diarra Sourang (Director, Economic Analysis, Office of the Parliamentary Budget Officer): That's definitely a big driver of what's currently happening in the economy, but there's also heightened uncertainty related to trade policies. However, if we look at the federal government debt, maybe Kristina will be better placed to elaborate.

Something to keep in mind is that a great portion of the federal debt is domestically emitted. Canadian banks are receiving profit from that debt and there are various participants in the financial market who are involved in that debt market, so it's not necessarily foreign actors who are holding that debt. It is important to keep in mind that some domestic actors are also benefiting from that.

Jeremy Patzer: Right, so when we look at what happened with tariffs, for example, the Prime Minister said he's going to collect \$20 billion in tariffs. In your report, it says there's only \$8 billion.... This morning, CBC wrote an article that the Prime Minister quietly removed even more tariffs than what he initially said. There's a \$12-billion shortfall here, and we don't really see a path forward in that situation. What impact is that going to have on Canadians?

Kristina Grinshpoon: In terms of the amounts that the government is collecting from the countermeasures, the government also announced as many measures as we assumed that it collected. As you mentioned, in our report we noted that it could collect \$8 billion in the three-year span, but it also announced a lot of support measures to other industries.

• (1600)

The Chair: I have to cut you off there because it's past your time.

Ms. Rochefort, go ahead, please, for five minutes.

Pauline Rochefort (Nipissing—Timiskaming, Lib.): Thank you.

I was delighted to read, in your report, "Federal Infrastructure Spending", that you mention that the objective of your work is to improve the quality of parliamentary debates and promote greater budgetary transparency and accountability. I agree as well.

That said, I'm concerned that, when you appeared before OGGO last week and answered a number of questions from all parties, the next day, during question period, the only comments made came from a single point of view and did not reflect your comments. I remember hearing you speak about rupture with the United States and that we're facing a different world from an economic perspective. How can we, therefore, guarantee that your comments today will contribute to improving the quality of parliamentary debate, which is the objective?

Jason Jacques: It's a really good question. I'd say that there's an onus on us as an organization, and there's an onus on parliamentarians.

Today's report has about 2500 words in it, in either official language. The onus on us, as an organization, is to ensure that the words are very carefully chosen to ensure that, to the greatest extent possible, they can't easily be taken out of context.

Another change we're making in the office—and you see part of it today, as we are joined by colleagues and technical experts—is trying to reinforce the technical grounding and the numbers in the presentation to the committee, so trying to take away some of the words and inject some more facts and numbers.

The last change we're making on our side, as some parliamentarians may be aware, is that, for the first time ever, we introduced a media blackout in the office when the report was released at 9:00 this morning—and that was very deliberate. Because of the invitation from the government operations committee, we wanted to try something very different. We released the report; we then had many meetings with parliamentarians to provide briefings and background on the report; and our first on-the-record testimony was here. The hope was that our words would be going to you first, so parliamentarians would have a very clear sense of what we're saying and how we're presenting the work.

In terms of the next step of having parliamentarians, potentially, represent the work in a more balanced way, I don't have a good answer for that. However, if you figure it out, let me know, and I'll be happy to help you implement it.

Pauline Rochefort: I agree 100% with your comments that words do matter, so thank you for saying that.

I have a second question about your report on the economic and fiscal outlook. How long did it take your office to prepare such a report?

Jason Jacques: In terms of duration, the work started at the end of August. It was from around the midpoint of August until around now.

It's a tremendous amount of work, but we have a really great team in place who have years of experience at this point, so we can turn things around relatively quickly.

Pauline Rochefort: Thank you for that.

As my colleague MP Gaudreau mentioned, do you think it's fair that we as parliamentarians only receive a few hours to review such a comprehensive report? Does it do justice to your work?

Jason Jacques: It's not for me to judge whether it does justice to our work, because we're doing work for parliamentarians.

I'm not supposed to do this, but I'll do it anyway. I'm going to turn the question back on parliamentarians to ask if there is a better way for us to present the work to you so you can make it more useful.

Today we tried something new by having the technical experts here. We tried the media blackout with an idea that we can cut through the noise and present the results directly to parliamentarians, our clients.

If there are other suggestions you have that would make it more useful for you, we're all ears. Our office was created to support parliamentarians. Money comes in from across the country. It comes to Ottawa, and Parliament cuts a cheque to create a parliamentary budget office. If you pay somebody to cut your lawn, and they're doing a bad job, you either fire them and find somebody else or you give them additional direction regarding how they can do it better.

Hopefully you don't fire us, but hopefully you provide us with additional direction.

• (1605)

Pauline Rochefort: Thank you.

The Chair: That's our time.

Ms. Gaudreau, you have two and a half minutes, please.

[Translation]

Marie-Hélène Gaudreau: At the last committee meeting, we talked about uncertainty and a lack of transparency. Those are areas of concern for credit rating agencies. Earlier, I also talked about the IMF and its three budget rules. We also talked about what will happen in 10 years.

Is there cause for concern?

How is the government managing the messaging around its fiscal policy?

Jason Jacques: I think the answer to that question is there in your own words, which is to say, transparency.

Under our mandate, one of the roles of our organization is to promote financial transparency. We want to see more transparency regarding fiscal anchors, in terms of the Government of Canada's fiscal and economic plans. That is the first step in reducing uncertainty for credit rating agencies and, in the long term, for all Canadians. It's always hard to receive shocking news in a problematic situation, but the government can alleviate those concerns by having a plan.

Marie-Hélène Gaudreau: In a democracy like ours, there are pillars. The first of these pillars is transparency. However, I fear that the government is avoiding a major political debate on public finances on the basis of American policy and tariffs. That's what we heard today. I'm concerned that the government is overriding sound management by saying that the end justifies the means.

What do you think?

Jason Jacques: I think that's a good point. I hope that the people at the Department of Finance are working hard to ensure that the people who will be affected by the major upcoming changes are supported.

[English]

The Chair: Mr. Chambers, welcome to OGGO.

Go ahead for five minutes, please.

Adam Chambers (Simcoe North, CPC): Thank you very much, Mr. Chair.

It's a pleasure to be at the mighty OGGO. We have to make sure we get that on the record for Hansard.

Mr. Jacques and your team, thank you for showing up. I appreciate your work.

With it being well over a year since we've had a budget, it's nice to have some picture as parliamentarians for, as you say, setting the table for what's to come.

I hope to make sure I understand some of the assumptions you've made so I understand your very sobering testimony. I thank you for mentioning how serious a moment we're in, fiscally.

If I look at appendix A, titled "Detailed economic outlook", you're not forecasting a recession. Is that correct? You have unemployment going up in 2025 but coming back down afterwards in 2026 onwards, and you have real GDP growth, which is small, but it's positive, at 1.2% and 1.3% and ongoing.

You're not projecting a recession. Is that correct?

Diarra Sourang: No, we are not projecting a recession, just very moderate growth.

Adam Chambers: Our current debt service costs, or even just the amount of debt we're taking on each year, are increasing at an alarming rate without any economic recession or headwinds. That's not to say we don't have economic challenges, but my point is your assumptions are that the economy is actually growing from here on out and that unemployment is falling, and we're still seeing some fairly serious and substantial increases in annual debt service costs, as my colleague just pointed out, up about \$80 billion a year. Is that correct?

• (1610)

Diarra Sourang: That's correct.

Adam Chambers: I'm not challenging your assumptions, but obviously there are other pathways the economy can take. Some people are saying unemployment may continue to increase and growth might actually be a lot slower than we project. If unemployment goes up further or growth is not as high as you project, what will happen to the deficit and the subsequent debt service costs?

Jason Jacques: If the economic path is worse than projected or worse than we anticipate, then the deficit figures will deteriorate.

Adam Chambers: All right.

Jason Jacques: Something I think I mentioned to the committee last week is that on our end, we're feeling pretty good about where things stand in the short term—between where we are now and going out over the next 12 to 18 months. The big question—and it's a policy question, which isn't in our bailiwick but certainly is in the bailiwick of parliamentarians—is this: Where do we end up in years three, four and five given the rupture the Prime Minister has referred to and given the Prime Minister's reference to there being no going back? How do we get to those areas of growth? What are the policies that will be in place to ensure the Canadian economy can return to its full potential growth?

Adam Chambers: What I'm highlighting, or that I'm glad you're confirming, is that we might not be in the worst economic environment yet, and what we're actually seeing with the levels of spending is that we're increasing the risk to the fiscal framework of the country before facing potentially much more serious economic challenges. If we're going to spend almost 14¢ of every dollar on interest on the debt without a recession in the next couple of years, what could that be if there is a recession? It could be 15, it could be 18, it could be any number.

Would you view that as a risk to the framework?

Jason Jacques: Going back to the quote, no one ever got laughed out the room by quoting the Governor of the Bank of Canada. It's positive growth, but it's not going to feel good for most Canadians across the country. Yes, in a situation, it definitely gives one pause when the economic numbers are positive and the fiscal numbers are negative, and substantially negative.

Adam Chambers: And we're borrowing record amounts of debt in the markets today, correct?

The Chair: That's your time. I'm sorry.

Adam Chambers: Pardon me, Chair. Thank you for your indulgence.

The Chair: Mr. Gasparro, please go ahead.

Vince Gasparro (Eglinton—Lawrence, Lib.): Thank you, and welcome back to the mighty OGGO.

That's for you, Chair.

The last time you were here, last week, we focused on infrastructure, so it's only appropriate we pivot back to fiscal matters. Looking at our current position, we can't look at it in a vacuum. It has to be viewed, I would say, on a comparative basis.

Canada still maintains its AAA credit rating and its current debt-to-GDP ratio is, I think, 2.2%.

How does that compare to some of our G7 colleagues?

Jason Jacques: Canada relative to other countries, if you look at the numbers, is in a more favourable situation immediately. I would say, for myself, the analogy is, I don't know, you're 200 pounds overweight and you have 50% body fat, and everybody else in your weight loss group has 75% body fat and is 400 pounds overweight and can't get out of bed.

Yes, relatively, we're in a more advantageous position. In many ways, that's the opportunity where hopefully we have space and time to move quickly to rectify the situation.

• (1615)

Vince Gasparro: Is that a reflection of the current global economic environment?

Jason Jacques: Very much so. The member referred to the work of the International Monetary Fund and a lot of what the International Monetary Fund has been publishing recently on the fiscal side is advice to all countries to reduce deficits, reduce debt and batten down the hatches and prepare themselves to make some tough decisions.

It certainly isn't exclusively advice to Canada but all applies to all other countries. As I mentioned last week, there are some countries, for example, looking at France and looking at the U.K., where their financial markets are certainly rockier than ours right now, certainly in terms of debt issuance. Relatively speaking, we're in a more favourable position. At the same time, that doesn't obviate the fact that the path that we're on right now isn't sustainable. We might have more time than those other countries, but we're going to end up in a very similar place without changes.

Vince Gasparro: We're on a good fiscal path or we're on a better fiscal path than some of our G7 colleagues and you project our deficit staying under 2% of GDP and debt holding near the low 40% range.

Would you agree that these kinds of thresholds are really in practice fiscal anchors that signal some discipline?

Jason Jacques: I would go back to one of the comments I made at the outset. The most important word in the release this morning was “unsustainable”. We didn't choose it carelessly. I've been in the office for 17 years. I was working in the federal government putting together budgets for 10 years prior to that. We choose these words with prudence and care. Certainly we don't want to be alarmist; at the same time, the current path we're on in terms of federal debt as a share of the economy is unsustainable.

Vince Gasparro: Thank you.

Coming back to our credit rating, which is obviously a fairly internationally recognized standard in terms of how sustainable our fiscal position is, how does that compare to some of our G7 colleagues?

Jason Jacques: Relatively speaking, again, similar to the fiscal metrics, we end up being further ahead or closer to the top of the group.

Vince Gasparro: Thank you.

The Chair: Before we go to Mr. Gill, just to follow up on Mr. Gasparro's comment, I do get a royalty every time someone calls it the mighty OGGO, so please continue with that.

Go ahead, Mr. Gill.

Harb Gill (Windsor West, CPC): Welcome to the mighty OGGO, sir.

Thanks for being here, everybody.

This is a two-part question: If trade tensions and tariffs continue, how much worse could things get for Canadian businesses, jobs and prices, and what would happen to our economy if the CUSMA trade deal were rescinded or renegotiated in a way that hurt us?

Tim Scholz (Advisor-Analyst, Office of the Parliamentary Budget Officer): I can take that.

We didn't do a specific scenario, a downside scenario, regarding the renegotiation of the CUSMA. However, it's important to point out that our baseline assumption regarding tariffs is that things will improve from current levels with respect to trading conditions with the United States. We do expect that they will remain less favourable than in the past, but things will improve. If things don't improve, then I think that would be a direct negative impact on our economic outlook.

Harb Gill: Thanks.

On what basis are you painting that picture to say that it will possibly improve? It could possibly go down as well.

Tim Scholz: Our assumption is based on, I think, the stated policy intentions and what we've observed over the past three months. It is a very volatile environment that changes day by day, and some of these assumptions regarding tariffs and sectors are moving targets. It appears, from Canada's perspective, that the intention is not to have these countermeasures in place permanently or as part of fiscal policy.

We are seeing from the United States that deals are being struck, depending, I guess, on various levels of favourability, depending on which country it is. Ultimately, as an office, we do have to make a baseline projection. We do a point estimate for our economic and fiscal outlook, and that does require an assumption that we're constantly updating. This one, we did think, was reasonable, particularly in the context of the CUSMA potentially being up for negotiation next year.

• (1620)

Harb Gill: Our debt servicing is currently \$55 billion for the whole year, so it's a billion dollars per week, roughly. It's projected to go up to, I think, \$82 billion by 2029-30. At what point would the interest costs start forcing cuts to health care, education and other services? The growth rate is not going to be the same as a debt ratio is going...or are we expecting GST revenues to be matching that growth?

Jason Jacques: In terms of the increase in the debt-charge expenses, more broadly and as I mentioned earlier, the path that we're currently on isn't sustainable. The government will need to make choices to either increase revenues or cut spending in order to arrest this unsustainable path that we're on.

We don't put together the budget. We only analyze the budget and put together forecasts. I don't know precisely what's on the table at this point beyond what the government has already announced publicly.

Harb Gill: The increase in revenue is possibly through taxes, then, an increase in taxes.

Jason Jacques: Generically. In a situation where you need to reduce your budget deficit and need to be able to bring in, on a net basis, more revenue—so, you reduce your deficit in order to return to a fiscally sustainable path—you need to either increase your revenue—so, more cash coming in—or decrease the amount of money that you're spending, or do a combination of both.

Harb Gill: In your previous appearance before this committee, you said that you weren't aware whether the government had any fiscal anchors. In your report, you outlined that the Liberals have

abandoned their two previous fiscal anchors: namely that they will no longer have a declining debt-to-GDP ratio and that their budgetary deficits will exceed 1% of GDP. What impact will this have on future government spending if they continue to operate without fiscal anchors?

Jason Jacques: Last week the Prime Minister was asked in question period to clarify the fiscal anchors. He did provide some clarification, indicating that there's going to be a greater shift to investment and a declining level of debt overall. That does provide some clarity that there are fiscal anchors. I believe that the Minister of Finance also provided guidance regarding a target, regarding a budgetary deficit as a share of GDP anchor. That being said, it certainly isn't comprehensive at this point with respect to what they are.

It's always helpful to have fiscal anchors, right? It's always useful. It's the reason... Hopefully, you don't need guardrails while you're driving down the highway.

The Chair: I'm sorry to cut you off there.

We're going to go now to Ms. Sudds now for five minutes.

Hon. Jenna Sudds: Thank you. It's great to have a chance to ask more questions.

Despite some of the comments I've heard over this first hour of the meeting, I think it's very fair to say that Canada is experiencing some historic challenges right now, of course, given everything that has been happening in this trade war. Undoubtedly, that has ramifications—massive ramifications—as we look at the report and at our economy.

As I reflect on this, I struggle to imagine an alternative, were we not making the investments that we are making in Canadians right now, acknowledging of course that it does cost and that there is a cost to that reflected in the projected deficit. I guess I would question what the alternative is at this moment in time when we know that Canadians need us.

• (1625)

Jason Jacques: I don't know that, as interim Parliamentary Budget Officer, I'm well placed to comment on alternative economic or fiscal policy.

Hon. Jenna Sudds: That's a fair answer, and I think that, as members of Parliament, as individuals representing our respective communities, our closeness to the ground and understanding the challenges that our communities face is reflected in the measures and the policies that we've been putting forward. We want to ensure that we are investing where needed to support Canadians through what we know will continue to be challenging times through this trade war, as our economy rebounds.

I appreciate that it is a tough question, but from this vantage point, it's certainly important to just raise the flag that, as elected officials, we certainly have a different vantage point than the Parliamentary Budget Officer would.

In the report, you pointed towards weaker trade. The global uncertainty of course was referenced, and key drivers in the outlook were put forward. Can you expand on how much Canada's fiscal picture is being shaped by those two things—the weaker trade and the global uncertainty?

Diarra Sourang: I think a good starting point would be to look at what's happening to nominal GDP, which is, as I'll call it, the largest proxy for the tax base. Because of those headwinds, trade policies and other challenges as well, such as demographics, we've revised our outlook for nominal GDP by approximately \$13 billion every year during our outlook. That definitely contributes to affecting the fiscal position, but as Kristina would say, there are other items or measures that have also been included in there.

Hon. Jenna Sudds: Excellent, thank you very much.

Your baseline captures existing measures announced up until—I believe it was—September 5. However, it doesn't weigh the full impact of investments in housing, infrastructure or skills. Would you agree that these measures would strengthen growth over time?

Diarra Sourang: On those specific investments, we do have a view as to what the baseline looks like in terms of government investments in general. Unfortunately, because we don't have enough detail as to how big these investments will be or how they will be delivered, we have not fully incorporated them into our outlook.

We do know, however, that, depending on the delivery mechanism, an investment might have more or less different impacts on the economy. For example, business investment has a different multiplier than transfers to households. It just depends on how the delivery is being done.

Hon. Jenna Sudds: To wrap up, I appreciate those comments and look forward to seeing the impact of these very strategic investments that our government has been making to the betterment of the country and the economy.

Thank you.

The Chair: Ms. Gaudreau, it's back to you for two and a half minutes.

[*Translation*]

Marie-Hélène Gaudreau: Thank you, Mr. Chair.

I'll be quick.

I'm not an economist or an accountant, but I know that in order to balance the books, you have to balance revenues and spending. I look at the current situation and think that, personally, I would have declared bankruptcy a long time ago.

I'd like you to explain something to me. How can the government lower taxes and reduce the government's tax base? I don't understand that.

Jason Jacques: I don't think we're in the best position to explain the Government of Canada's decisions and policies. I'm the interim Parliamentary Budget Officer, not the parliamentary Government of Canada policy officer.

• (1630)

Marie-Hélène Gaudreau: I can still ask you if it's responsible to demonstrate—

Jason Jacques: Reducing taxes and increasing spending would increase the deficit and exacerbate the problem that the Government of Canada needs to address.

Marie-Hélène Gaudreau: There's another issue. We're talking about reducing the size of the public service. That was already promised some time ago. At the same time, and this undermines the effect of a 20% decrease in the size of government, we're talking about spending 5% of GDP on national defence. There's something I don't understand.

Jason Jacques: You may get all the details on November 4.

Marie-Hélène Gaudreau: Okay.

My last question is this.

There have to be models that already exist. We were talking about the U.K. earlier. I'm thinking of Quebec. Other provinces have transparent breakdown measures.

Shouldn't the federal government adopt a way of letting the numbers speak?

Jason Jacques: That's a good question.

I think the government, especially the public service, is aware of practices elsewhere in the provinces and other governments. I think the government is taking a new approach with an operational and investment plan.

I hope it can take action quickly, but, like everyone else, we have to wait until November 4.

Marie-Hélène Gaudreau: Thank you very much, Mr. Chair.

[*English*]

The Chair: We will go back to you, Mr. Chambers.

Adam Chambers: Thank you, Mr. Chair.

I want to pick up where we left off when the chair so abruptly cut me off last time.

We're issuing a record amount of debt this year, as I understand it. The last debt management strategy came out early in the summer. I think about \$620-odd billion has to be issued this year. Is that your understanding as well?

Okay.

If the government is saying they will spend less and invest more, in theory, these investments will have a return, of course, because investments do have returns. They continue to borrow through short-term debt instruments. Usually, you'd try to match your assets and liabilities. If you continue to borrow on the short end of the curve, as they say, but make long-term investments, will that not increase the risk to taxpayers?

As interest rates change, taxpayers and the government are far more exposed to the sensitivity of interest rates such that our debt service cost could increase much more quickly if rates were to go up for any reason. I'll note that the rates were dropped recently, but the five-year yield increased after the Bank of Canada increased its rates. Is that your understanding as well? Should we be looking at the matching of assets and liabilities?

Jason Jacques: I think duration matching is a pretty fundamental principle of borrowing an investment to make sure that you're not exposed to fluctuations in the financial market and make sure that you can come up with cash when, in fact, you can't, because the money is tied up in longer-term assets.

Adam Chambers: Right—or it's an admission that actually what you're doing is just borrowing to do the operations of government.

You don't have to answer that. I'll just leave that there.

I read a report earlier this year from the IMF. It referenced that for every dollar spent on interest on the debt, there was a somewhat reduction in spending on social services. Are you aware of that report? That came out in the spring, I think. Is that a report that you're familiar with?

Jason Jacques: Actually, I think I read the report. I forget the precise numbers—it was several months ago, and I read a lot—but I am familiar with it. The underlying principle associated with a lot of the basic macroeconomic models is that the higher your debt and the greater your debt interest costs, the more it ends up eating up spending in other areas, whether it be social programming or investment or what have you.

• (1635)

Adam Chambers: Right. So when you use the word “unsustainable”, is that also what you're getting at—that the level of debt we have and the burden of the service costs of that debt are unsustainable such that a consequence would be a reduction in social service spending?

Jason Jacques: [Technical difficulty—Editor] reductions in spending. Again, we don't do policy.

Adam Chambers: Sure.

Jason Jacques: We do budgeting. From a basic budgeting perspective, you have spending and you have revenues. In a situation where you have a large deficit, and effectively your debt levels are growing at an unsustainable rate, you have to either increase your revenues or decrease your spending.

Adam Chambers: Right. So when there were questions asked about increasing debt and deficits five and six years ago—or, say, after the new administration took over and said they would run some small deficits—I think debt service costs were about 7¢ or 8¢ on the dollar. You're now projecting that it goes to 14¢ on the dollar. Some people were laughed out of the room for asking questions about why we should be concerned about this, but here we are. Again, that's before we have any serious economic downturns or even a recession.

Is it fair to say that spending is at risk as debt service costs continue to increase?

Jason Jacques: That would be conventional macroeconomic policy as practised by the world.

Adam Chambers: Are we close to where we were in the mid-1990s? Are we closer to where we were in the mid-1990s than we were 10 years ago?

Jason Jacques: The numbers in the mid-1990s were far more alarming. Now, with the federal debt-to-GDP ratio forecast to increase, if we don't change things, we're going to end up there again. Thankfully—

The Chair: I'm sorry. Thank you very much.

Adam Chambers: Thank you, Mr. Chair.

The Chair: Next I have Ms. Rochefort, please, for five minutes.

Pauline Rochefort: Thank you.

I'd like to go back to a previous report that you had published on the Canada Infrastructure Bank. In that report, you highlighted Canada's infrastructure deficit and said it was substantial. I think you had a range, but I think the amount went up to \$1 trillion.

Organizations at a municipal level in our country, such as the Association of Municipalities of Ontario, talk about the infrastructure gap. Even yesterday, the Association of Alberta Municipalities talked about being substantially underfunded when it comes to infrastructure. How can the federal government, in terms of transfer payments, better collaborate with provinces and municipalities to optimize every dollar that is spent?

Jason Jacques: Going back to 2016 when we started to do work in this area, the need for better collaboration with provincial governments and large municipalities across the country was something that we did note and highlight.

In particular, some of the feedback that I recall receiving from large municipalities across the country was that it was great that the Government of Canada has cut them a cheque, but there was already a 10-year capital plan in place, the contractors were lined up and there wasn't a plan to pay people to work between 10 o'clock at night and six o'clock in the morning because they would have to pay them double time. They said thank you for the money and they'd just add it on to year 11 at this point.

I think that working with the existing plans of municipalities and provinces, which are best placed to identify the most immediate priorities, as opposed to exclusively making those decisions in Ottawa, was one of the key findings we had identified previously.

The other one is with respect to the construction industry. It's focused on the trades because there's a bottleneck. There's a lot of focus on infrastructure and housing because we do have a housing crisis. There's only so much capacity to go around to actually build at this point, so whether it's on infrastructure or on the housing file, trying to take a coordinated approach across all levels of government with limited resources available certainly makes sense.

• (1640)

Pauline Rochefort: Do you feel there's room for reducing infrastructure spending at a municipal level?

Jason Jacques: I would not be well placed to comment on that. I'm sorry.

Pauline Rochefort: I noticed that the Canada Infrastructure Bank is included in the list of departments that account for most of the federal infrastructure spending.

Could you describe the composition of transfers to the Canada Infrastructure Bank?

Are these committed funds? What is the status of those funds when we see them in the report?

Jason Jacques: The majority of the funding for the Canada Infrastructure Bank is committed funding. It's notionally earmarked for something, whether it's in the early stages of negotiation or closer to a final project at this point.

One finding that we've made in the past with respect to the Canada Infrastructure Bank and other infrastructure projects is that there can be a lot of uncertainty between the initial announcement or something that's worked out at a high level, and actually having shovels in the ground and getting the work done.

I'm not an expert; I've never worked for a municipality on infrastructure projects. I think that's normal.

Pauline Rochefort: Do you see the opportunity for more private capital aligned with those projects? I think you had referred to that in your study.

Jason Jacques: I think there is far more. When you look at the public capital versus the pools of private capital, the private capital is much larger.

When looking at the draw right now in the policy area of defence, which is probably—hopefully—not funded by private capital, you're going to need to have the private sector come in and provide that type of support. If for no other reason, it will keep the borrowing or investment costs relatively lower for the government.

Pauline Rochefort: Thank you.

The Chair: We'll now go to Ms. Cobena for five minutes.

Welcome to OGGO. Go ahead.

Sandra Cobena (Newmarket—Aurora, CPC): Thank you.

In your report, you lowered your economic growth assumptions for this year and next year.

To what degree does this weaker growth amplify the risk of structural deficits and large deficits that we're seeing right now?

Diarra Sourang: The area where it has the biggest impact is nominal GDP, which is used as an approximation for the tax base of the federal government. We've revised our outlook for nominal GDP by approximately \$13 billion annually between 2025 and 2030. That's the main impact.

Sandra Cobena: In the report, we see about \$115 billion in new spending.

Considering that we have weak growth, could you speak to how many of those expenditures could be deferrable to a time where we have a stronger economy?

Jason Jacques: I am not going to pass judgment on what could be or should be deferred. I would, however, say that when you look at the composition, \$150 billion over about five years, about a third of that ends up being defence spending, additional defence spending on the part of the government. Another substantial chunk is the decline in revenues associated with the reduction in the lowest personal income tax rate from 15% down to 14% and the elimination of the digital services tax.

Could it be deferred? Could those things be deferred at this point? It ends up very much being a policy question of what are the priorities of parliamentarians.

Sandra Cobena: Can you speak to whether you see the absence of meaningful expenditure discipline?

Jason Jacques: It's hard for us. We have published many reports over the past 10 years with respect to the government's efforts around spending restraint and spending review activities. I think up to this point, the results I would characterize at best as being uneven. In particular, there's one expenditure of new activity where the government took credit for underspending for pandemic benefits and declared victory around spending restraints and spending cuts. That said, we're in a new era. The announcements and the official language from the Government of Canada and in the House of Commons are certainly different with respect to the comprehensive expenditure review. I guess we're going to find out on November 4.

• (1645)

Sandra Cobena: You've expressed your doubts on whether the government still has credible fiscal anchors. In your view, what would you count today as a credible fiscal anchor for Canada, and how far is the government from meeting it?

Jason Jacques: The most important fiscal anchor, which the Prime Minister indirectly touched on in question period last week, is the debt-to-GDP ratio, simply, the amount of money that is coming into the federal government and our ability to sustain debt levels. Right now based on the status quo forecast and the announcements made today, with plans, we're not on track. The government will not be on track to actually achieve that fiscal anchor.

That said, all of us are still waiting for the government to come up with a plan to officially announce their fiscal anchors as opposed to providing an overview in QP, and also a plan to ensure how they are actually going to respect those fiscal anchors.

Sandra Cobena: What do you think are the consequences of Canada not having credible anchors in terms of investor confidence, borrowing costs, credit ratings, etc.?

Jason Jacques: The reason that somebody has fiscal anchors is it increases the certainty and clarity that you're more likely to achieve your objectives and you're more likely to be able to manage your finances and budget in an effective way. The absence of that obviously increases uncertainty. The lack of transparency on that front results in a situation where, if you can imagine, you go into a bank and you want to start a small business. You ask them for a couple hundred thousand dollars and they say, "Where's your plan?" "Oh, I don't have a plan, but I have a really good idea." "Well, do you have any assets?"

The Chair: I'm afraid I have to cut you off there. We're past our time.

Mr. Gasparro, you have five minutes.

Vince Gasparro: Great. Thank you.

This is going to be a bit of "wayback playback" from last week, talking about the difference between operating spending and capital investment. A capital investment is an investment in our country.

Would you agree that when we are investing in infrastructure, it achieves several objectives? First, it increases productivity. Second, it increases employment. Third, it dampens inflation. Fourth, it attracts private capital into our country. Would you agree that those four pillars are absolutely critical in a modern economy?

Jason Jacques: I would agree, if it's done effectively. Yes, I would agree with all four.

For me, it's the analogy of dropping \$100,000 on your house for a renovation. You expand the footprint of your house and you have additional space. Potentially, you can resell it and get the \$100,000 back. If you drop \$100,000 on a luxury kitchen with a boutique pasta maker, you're potentially not going to get the money back. Of course, the devil is in the details of what you're investing in.

Otherwise, in theory, I don't think you're going to find a conventional economist anywhere in the country or around the world who is going to disagree with you.

Vince Gasparro: Yes, I'm using your definition of infrastructure: capital projects—bridges, roads, power—all the things our country needs to ensure we are successful in moving forward. For example, your estimate is that we are going to spend \$159 billion in infrastructure over the next four years, not accounting for the NATO 5% spending, as you rightly pointed out.

Again, do you agree, using your analogy of investing in your home and maybe paying off a credit card by borrowing money, etc., that there is a substantial difference between, again, operating spending and capital investment?

• (1650)

Jason Jacques: Yes.

Vince Gasparro: Perfect. I just want to make sure we're back on the record on that, because there seems to be still some confusion from some members of the committee that spending a dollar is different from investing a dollar.

Do you think we're spending enough on infrastructure?

Jason Jacques: That's a really good policy question, which I do not have the mandate to answer, sadly.

Vince Gasparro: In your analysis, you spend a great deal of time looking at our projections moving forward. Do you think our focus on infrastructure and some of these investments can set us up for success over the long term?

Jason Jacques: It needs to happen. The trick is going to be in the execution.

The mainstay of how the Canadian economy used to operate vis-à-vis our integration with the U.S. is gone. There is an obvious and pressing need to make additional investments so we can reorient our supply chains and have capacity in place to export to other countries.

Also, as the other member pointed out, provide supports: If somebody loses their job in Hamilton and jobs are available in Calgary and they need to be retrained, and they need to move and their spouse needs to move and their kids need to go to a different school, there are supports in place so that can happen as well. Or if you're a business and you need to reorient your business plan, your small business of 25 or 30 employees, there is support to make sure that can happen.

Again, the question comes back to the execution. When you look at the numbers that we presented today, it should reinforce to everybody both the seriousness of the situation and the urgency to make good choices very quickly.

The Chair: I'm afraid that's our time.

We'll go to Ms. Gaudreau for two and a half minutes.

[*Translation*]

Marie-Hélène Gaudreau: Thank you, Mr. Chair.

That's precisely the issue. The issue is that major decisions have to be made and there's a flagrant lack of transparency.

I'd like to go back to the models I talked about earlier. I obviously mentioned Quebec, but I'm also thinking of the maritime provinces, namely New Brunswick and Nova Scotia, as well as British Columbia. I believe those provinces have not only an operating budget, but also an investment budget.

How could that model grant us more transparency regarding what we expect on November 4 and what we have in front of us?

Jason Jacques: I think there are two aspects to transparency. First, certain types of investment could have long-term benefits for the Government of Canada and Canadians. Second, there's an advantage in having some clarity.

As I mentioned last week, if the government had a budget management plan for the public service of Canada, with a diagram of operations and investments in assets, there would be much more transparency, and we could explain that to MPs and parliamentarians by presenting all the data that would have been used to make decisions.

Marie-Hélène Gaudreau: I imagine that the choices they'll have to make will include a specific calculation for revenues and spending, because, for anyone who knows how to count, the government can't make ends meet.

We're talking about risk management and an unsustainable situation, and we're hearing that we're in trouble. Do you think people are aware of the current situation and of what's coming?

• (1655)

Jason Jacques: I hope they are now.

Marie-Hélène Gaudreau: I hope so too.

Jason Jacques: Our organization's primary responsibility is to increase financial transparency for MPs and senators. It will then be up to you to explain that to the Canadians in your ridings.

Marie-Hélène Gaudreau: Thank you for your work. I hope we'll have a very clear budget.

[*English*]

The Chair: We'll go from the Bloc to Mrs. Block.

Go ahead.

Kelly Block: Thank you very much, Chair.

In appendix C of your report, you have corporate income tax increasing year over year. In recent months, we have had reports of companies moving south of the border and billions of dollars of investment leaving Canada.

Was that taken into account in your projections for corporate income tax?

Kristina Grinshpoon: We did take into account recent information, specifically from "The Fiscal Monitor", for corporate income taxes. As well, in our corporate profits projection, we've incorporated the nominal GDP decline, which is our broadest tax base.

You do see a decline in 2025-26 compared to the level for 2024-25, but we are still observing high corporate income taxes in "The Fiscal Monitor", so perhaps the information you're referencing is not yet reflected in "The Fiscal Monitor".

We have taken into account a decline through the nominal GDP, just to be clear.

Kelly Block: Thank you.

Are there any concerns that if the government continues on with its current policies, businesses and investment will continue to leave Canada, leaving the government with less revenue overall?

Jason Jacques: The simple answer to that question is that the status quo approach is not sustainable.

Kelly Block: Thank you.

Additionally, in your report, you mention a risk of prolonged trade uncertainty bringing about even worse deficits. Does your re-

port also take into consideration the flow of capital leaving Canada during a prolonged trade dispute and how it would affect the ability of our economy to recover?

Diarra Sourang: That's actually one of our biggest downside risks. As Jason said, in the current situation, the status quo is not sustainable.

Kelly Block: If the government continues its current spending levels, when do you project the budget to be balanced?

Jason Jacques: Is that a trick question?

It will be a very long time. Again, the current status quo is not sustainable. The more immediate pressure for the government, again, looking at the economic forecast, is where we're going to be in years three, four and five, and whether the investments the government plans to make in the economy, in capital and in infrastructure, and the supports they intend to provide to people to retrain and move across new industries, are effective and are managed effectively.

Kelly Block: Under the previous prime minister, we were told the budgets would balance themselves. Does it concern you that under the current Prime Minister, we don't even talk about balancing budgets?

Jason Jacques: As the interim Parliamentary Budget Officer, given the mandate of our organization to promote fiscal transparency, I'd say the bigger concern for us is the current weakness or unevenness in fiscal transparency. Notwithstanding our work, it definitely undermines and hinders the work of parliamentarians.

There are some very weighty policy decisions that will need to be made very quickly over the coming months in a minority Parliament. The more information that is provided to all parliamentarians regarding the current fiscal context, the easier it will be for our organization or anyone to make decisions. More information shared more widely at a higher quality puts everybody further ahead.

• (1700)

Kelly Block: Thank you.

The Chair: Ms. Rochefort, please go ahead.

Pauline Rochefort: Thank you, Mr. Chair.

I have two final questions. I will quote a few headlines.

It was just a year ago that your predecessor, Monsieur Giroux, reported that the "federal government can spend \$46 billion more a year and remain sustainable over the long term", for every year until 2098, and remain fiscally sustainable.

How does this discussion square with that comment from last year?

Jason Jacques: I worked on that report. I was responsible for it, and a lot has changed over 12 months.

Pauline Rochefort: I guess it would be fair to say that a lot can change within a year.

Jason Jacques: Yes, and I hope that over the next 12 months, all the current problems we have go away and we're back to where we were before.

Pauline Rochefort: Positive parliamentary discussion can lead to such changes.

You're absolutely right, thank you. I very much appreciate your saying that.

On that note, really, I was delighted to read another headline. It said that our Prime Minister was very popular in New York at the UN assembly. There were more than "700 requests that flooded in from foreign leaders [and many actually from] CEOs [and] company representatives".

We talk about indicators of confidence in our country. Does that serve in any way as you evaluate the confidence we have in our country?

Jason Jacques: Business confidence is one of the key variables we consider as part of our macroeconomic model. Obviously, there's the confidence that both external entrepreneurs and CEOs have. Perhaps more importantly is the confidence that individual Canadians have to step up and start a small business. Those who have a small business can take the next step to borrow additional money, make investments and hire people. That's a critical factor that we pay a lot of attention to in terms of economic growth.

Pauline Rochefort: Thank you very much for those comments.

That's all for me, thank you.

The Chair: Thank you very much for being here, all of you.

I have one question, though.

I was also reading a headline about a wonderful young man named Louis Jacques, who was running across the country to P.E.I. to raise money for St. Joe's Supper Table. Is he any relation?

Jason Jacques: Yes, that would be my son.

Voices: Hear, hear!

The Chair: I'm sorry. I had to put that on the record.

Thanks, everyone, for being with us.

Very quickly, we need the first tranche of witnesses for Canada Post. Please have them in by October 7. I suspect that we can add some later, but please...so we can get our clerk working on it.

We need recommendations for the consul general report. Have them in by next Thursday. We're not here on Tuesday, of course. We're starting the consul general report on Thursday. Have your recommendations in to the analysts. They can always be revised. It would be nice if we had them in, because quite often there is overlap. We can build recommendations together.

The last point is that the procurement ombudsman we were going to have in just put out the report. I'm sure everyone saw the draft report. It's not public yet. We'll wait until it's actually tabled and made public before we bring him in to brief us and go over the report. For those who weren't here last time, it was a report generally commissioned, for lack of better words, by this committee.

Pauline Rochefort: I'm not sure if I'm allowed to make a point of order at this point.

The Chair: What's your point of order?

Pauline Rochefort: Simply, for me, I find the best practice in all meetings is to be able to receive reports at least 24 hours ahead. If you look at all organizations, they have—

The Chair: What report are you referring to?

Pauline Rochefort: That would be today's report from our Parliamentary Budget Officer.

For me, I find that receiving no notice.... I was in meetings all day. I arrived at my desk, and the report was there. I find that it's unfair and that it's not a proper meeting procedure to not be given sufficient notice.

The Chair: Notice went out yesterday that there would be a report today.

• (1705)

Pauline Rochefort: The report was only received today.

The Chair: I know, but notice went out yesterday.

Pauline Rochefort: Yes, but we need to read the report. Notice is one thing, but to be able to assess a report....

If you could, Mr. Chair, when it's possible to provide it, that would be great.

The Chair: I'll take that under advisement.

Pauline Rochefort: I'm a busy MP. Thank you.

The Chair: We all are.

Everyone, Mr. Jacques and colleagues from the PBO, again, it's been wonderful to have you with us.

With that, we are adjourned.

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