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• (1100)

[*Translation*]

The Chair (John Williamson (Saint John—St. Croix, CPC)):
I call this meeting to order.

Good morning, everyone.

I'll go slowly because I know that we have committee members and witnesses who are here, but not in their seats.

Welcome to meeting number 41 of the House of Commons Standing Committee on Public Accounts.

[*English*]

Today's meeting is taking place in a hybrid format, pursuant to the Standing Orders. Members are attending in person in the room and remotely using the Zoom application.

I'd like to remind participants of the following points.

Please wait until I recognize you by name before speaking. All comments should be addressed through the chair, although witnesses will see that when there are questions, they are directed back and forth to the members through me.

I'd like to remind witnesses that committee members may ask questions in either French or English. If you need interpretation, please take a moment to prepare your earpiece before a member begins so that we don't lose any time during the rounds.

[*Translation*]

Pursuant to Standing Order 108(3)(g), the committee is resuming consideration of the Public Accounts of Canada 2024 and Public Accounts of Canada 2025, referred to the committee on Tuesday, December 17, 2024, and Friday, November 7, 2025, respectively.

[*English*]

I'd like to welcome all of our witnesses. From the Department of Canadian Heritage, we have with us Francis Bilodeau, deputy minister; Andrew Brown, associate deputy minister; Joëlle Montminy, senior assistant deputy minister, cultural affairs; and Véronique Côté, chief financial officer.

Thank you for coming with your team, Mr. Bilodeau, and thanks to all of you for coming in.

Mr. Bilodeau, you'll have about five minutes. I tend to be lenient with the time because I want to make sure you have an opportunity to present yourself.

I'll turn the floor over to you.

Francis Bilodeau (Deputy Minister, Department of Canadian Heritage): First, thank you, Mr. Chair, for having us here today.

[*Translation*]

I'm pleased to be here today to support your important work.

I would like to begin by acknowledging that we're gathered on the traditional and unceded territory of the Algonquin Anishinaabe nation.

[*English*]

As you mentioned, I am joined by colleagues from Heritage, and we're pleased to support the committee in its review of the department's public accounts for 2023-24 and 2024-25.

[*Translation*]

As you know, the public accounts are an essential component of parliamentary oversight. They provide a transparent and comprehensive account of how public funds were used over the previous fiscal year. They reflect our collective responsibility to ensure sound stewardship, accountability and results for Canadians.

Canadian Heritage plays a vital role in the cultural, civic and economic life of Canada. Through its programs and policies, the department fosters an environment in which Canadians can experience dynamic cultural expression, celebrate our history and build strong and inclusive communities.

[*English*]

The department invests in the future and builds a strong sense of Canadian identity and unity by supporting the things that define who we are as Canadians: our official and indigenous languages; arts and culture; sports systems and our athletes; diversity, inclusion and anti-racism; and important heritage commemorations and celebrations.

[*Translation*]

The public accounts reflect the department's actual spending authorities and expenditures for the fiscal year. As outlined in our 2023-24 and 2024-25 departmental results reports, departmental spending is largely delivered through grants and contributions programs. These programs account for the majority of our expenditures and they support individuals, organizations and communities across the country. From a budget of approximately \$2.1 billion, \$1.9 billion, or about 90%, is spent in the form of grants and contributions.

Year after year, Canadian Heritage maintains its focus on achieving results for Canadians, guided by a strong commitment to transparency, sound financial management and continuous improvement.

Under our core responsibility of creativity, arts and culture, we continued to support creators, cultural workers and industries in adapting to a rapidly evolving digital landscape. The funding helped foster the production and discoverability of Canadian content and supported a diverse and innovative cultural sector that contributes to both economic resilience and cultural sovereignty.

• (1105)

[English]

In the area of sport, departmental programs supported participation and excellence from grassroots to high-performance levels. Investments also contributed to safer and more inclusive sports environments, aligning our commitments to integrity and well-being in sport.

[Translation]

Through our work on the core responsibility of diversity and inclusion, the department supported communities facing systemic barriers, racism and discrimination. These investments helped advance equity and inclusion while strengthening social cohesion across Canada.

Lastly, under our mandate tied to our core responsibility of heritage and celebrations, Canadian Heritage supported opportunities for Canadians to connect with their history, participate in national events and celebrate shared values and identities.

[English]

The departmental results reports highlight that across these areas, programs are designed to achieve measurable outcomes, supported by clear performance indicators. This ensures that funding is spent responsibly and contributes to tangible results for Canadians.

With respect to financial management, Canadian Heritage continues to operate within a strong framework of internal controls, risk management and oversight. The department works closely with central agencies to ensure full compliance with financial policies and reporting requirements.

[Translation]

As reflected in the public accounts, variances between planned and actual spending can occur for a number of reasons—of which I'm sure the committee is aware—including the timing of program uptake, the sunseting or renewal of temporary funding and evolving priorities. These variances are analyzed and reported transparently through our public reporting instruments, including the departmental results report.

It's important to note that the department remains committed to continuously improving its practices in both financial reporting and program delivery. We regularly review our methods in order to strengthen efficiency, effectiveness and accountability.

[English]

In closing, Canadian Heritage remains committed to the prudent management of public funds and to delivering results that matter to Canadians. We will continue to ensure that our investments support a strong, inclusive and dynamic Canada, one that reflects the diversity of its people and promotes a shared sense of belonging.

Again, we thank you, Mr. Chair and members of this committee, for the opportunity to be here today. We will make every effort to answer your questions to the best of our capacity.

[Translation]

The Chair: Mr. Deltell, you have the floor for six minutes.

G rard Deltell (Louis-Saint-Laurent—Akiawenhrahk, CPC): Thank you, Mr. Chair.

Good morning, colleagues. I would like to wish you a good start to the week.

Ladies and gentlemen, welcome to your parliamentary committee.

Mr. Bilodeau, is it true that the federal government launched an investigation into the Office of the Commissioner of Indigenous Languages?

Francis Bilodeau: My colleague, Mr. Brown, is currently working on the case. There were certainly articles in the newspapers today reporting on our review. Mr. Brown will be able to discuss this further.

Andrew Brown (Associate Deputy Minister, Department of Canadian Heritage): Thank you for the question.

Of course, as we saw in the media over the weekend, we did indeed launch a special review of the Office of the Commissioner of Indigenous Languages' accounts. We launched this review in response to anonymous allegations that we received in the department. That's why we launched this review. We want to get more information.

G rard Deltell: We're talking about a four-day meeting in Ottawa on indigenous languages, which cost \$10 million.

Where do things stand with this?

Andrew Brown: Thank you again for the question.

This concerns a conference held here in Ottawa last year. It was the WAVES 2025 conference held by the Office of the Commissioner of Indigenous Languages. This conference, along with all office expenses, will be subject to this review.

G rard Deltell: Do you think that \$10 million for a four-day conference is money well spent?

Andrew Brown: As reported in the media, it's a great deal of money.

That said, the office—

• (1110)

Gérard Deltell: Did you authorize this money?

Andrew Brown: So, it's a—

Gérard Deltell: Did you authorize it, yes or no?

[*English*]

Andrew Brown: It is an independent organization that acts at arm's length from the Government of Canada.

[*Translation*]

Gérard Deltell: So you don't know.

Is that right?

Francis Bilodeau: The organization was created in partnership with indigenous peoples to ensure a certain level of independence, among other things.

Gérard Deltell: Did you know that it would cost \$10 million for four days, yes or no?

Francis Bilodeau: I didn't receive a specific report before the conference. I don't know whether Mr. Brown received one.

Andrew Brown: We knew that the office was moving ahead with organizing a major conference. It applied for and received funding last year to support its activities for the full year.

Gérard Deltell: That's fine. However, I want to know whether you authorized \$10 million for a four-day conference on indigenous languages.

Andrew Brown: With regard to this particular issue, I would say that, no, we haven't—

Gérard Deltell: What do you do for a living apart from ensuring the proper management of taxpayers' money?

We're talking about \$10 million here.

How many indigenous people could have learned their native language with \$10 million? How many?

Francis Bilodeau: According to the process used to set up the Office of the Commissioner of Indigenous Languages, the person responsible for management—in this case, the commissioner—is appointed by order in council.

Gérard Deltell: How many indigenous people could have taken courses with \$10 million?

Francis Bilodeau: I don't have these figures on hand.

Gérard Deltell: How many hundreds, if not thousands, of indigenous people could have had access to the knowledge of their mother tongue, which they haven't had the chance to learn and which they want to learn?

Take the people of Wendake, in my constituency, for example. The Wendat language is a dead language, and it's coming back to life.

How many first nations people would have been able to learn their language with this \$10 million if it hadn't been used for a four-day conference?

Francis Bilodeau: Again, as part of the process, our organization is responsible for providing funding to the organization.

Gérard Deltell: We're talking about \$10 million.

Francis Bilodeau: The funds are allocated to the general funding for the organization, which is accountable for its management. This organization was co-created with the indigenous peoples.

Gérard Deltell: So you don't follow up. You give \$10 million to an organization, then say thank you, good night and good luck, my friend.

Is that right?

Andrew Brown: Each year, an annual report, signed by the commissioner, is submitted to the minister and tabled in Parliament. This report describes how the organization has spent the funding received.

Gérard Deltell: That's fine. However, in this case, you authorized the payment of \$10 million to an organization. You looked the other way and then you found out that a four-day conference cost \$10 million. You can't even tell me how many first nations people could learn their language with \$10 million.

Andrew Brown: First of all, we don't just give money to this office to support the revitalization of indigenous languages. This accounts for a portion of our investments.

The Office of the Commissioner of Indigenous Languages was then created by Parliament specifically to establish an organization at arm's length from the federal government. For us—

Gérard Deltell: It may be at arm's length. However, the issue is that the money doesn't come from arm's-length organizations. The \$10 million comes from Canadian taxpayers, and you're accountable to them. So don't go down whatever road and say that it's none of your business. It's your responsibility. We're talking about \$10 million. This money comes from taxes paid by taxpayers.

Do you think that this money is well managed?

Andrew Brown: Again, that's why we launched this special review.

Gérard Deltell: It was at the request of the federal government, after the fact.

Andrew Brown: I'm sorry, I didn't quite understand.

[*English*]

Gérard Deltell: You called the shots after the federal government highlighted you. You didn't take initiative on that. Did you take initiative?

[*Translation*]

Andrew Brown: As soon as we became aware of the anonymous allegations, we launched a process to find more information.

Francis Bilodeau: I'd like to add one last point.

Basically, the process that was put in place aimed to create an organization to be co-managed with indigenous peoples, based on a reconciliation approach.

This organization's priorities, including the decision to hold a conference, had to be co-defined, while maintaining independence from the government. We didn't contribute to defining the priorities of indigenous peoples. It's a co-creation approach that is generally aligned with the government's approach.

• (1115)

The Chair: Thank you very much.

[English]

Up next is Mr. McKinnon.

You have the floor for six minutes, please.

Ron McKinnon (Coquitlam—Port Coquitlam, Lib.): Thank you, Mr. Chair.

Thank you all for being here today. I appreciate your contributions and your input.

I want to talk about different ethnic communities. My riding has probably the second-largest Persian community in at least British Columbia but maybe even in Canada. I was wondering what funding might be available to support the Persian community in our area. Also, considering there's a great deal of anxiety regarding what's going on in Iran today, do you have a role to play in helping them get through that?

Francis Bilodeau: I will ask Mr. Brown to chime in afterward.

Since 2024, the government has had an anti-racism strategy, which is supported by programs and funding, as well as the recently announced advisory council on rights, equality and inclusion. Through the anti-racism strategy, the government is taking a series of actions, including direct supports for community organizations.

Mr. Brown oversees a number of those programs, so I'll ask him to add to that.

Andrew Brown: Thank you, Francis.

It will depend on the nature of the support they're looking for, but speaking to some of the programming we have with Canadian Heritage, I think about our programs under, essentially, the multiculturalism and anti-racism banner that the deputy minister just mentioned. Under that, we have a couple of different streams, one of which we refer to as the events stream. This allows community organizations across the country to apply for funding to support the hosting of events that advance specifically the multicultural character of the country. It is both about celebrating and about bringing people together and celebrating Canada's multiculturalism.

As was mentioned already, we have programs that are about tackling discrimination and racism across the country. These are also programs that many community organizations have embraced to support themselves, support their communities and drive belonging across the country.

Those would be just a couple that I would mention with respect to the multiculturalism program.

Ron McKinnon: Frankly, I hadn't thought about the racism aspect of it. I appreciate that that's important. I was thinking more in terms of positive things to support Persian culture and the recognition of their history and their contributions to world history and so forth.

I think you spoke to that to some degree in terms of multiculturalism. Is there any more that you can add to that? How can we support them in a positive way to embrace their Persian culture in our society?

Francis Bilodeau: We have programs that intend to build capacity in minority communities, as well as those that will, for example, support festivals and events that encourage the celebration of the diversity within Canada.

Andrew Brown: As you said, we would encourage communities to look for opportunities to apply for some of our funding. We have seen in recent years a greater recognition of specific celebrations that are important to communities around the world. I think about celebrations of Nowruz when thinking about Persian communities.

I think there are opportunities. It is particularly the multiculturalism program and its various components that seem like they might be appropriate when it relates to the celebration of Persian culture in particular. Those are for events, as mentioned already, and capacity building. This is a program that helps community organizations in terms of their own capacity with projects they may wish to lead.

Ron McKinnon: I'll segue to Mr. Deltell's line of questions regarding indigenous languages, but not his precise question.

We have the Kwikwetlem First Nation in my riding. It has the həŋqəmiñəm language, and as with all indigenous languages, we have a concern about it dying out.

Can you give us more information about what we can do to support our indigenous community in advancing and enhancing their native language skills?

• (1120)

Francis Bilodeau: Since 2019, the government has made significant investments—and this goes beyond the commissioner of indigenous languages—in supporting indigenous languages. Approximately \$1.4 billion will be invested between 2019 and 2029. Those investments include supports for community-driven projects. Through that funding, projects and initiatives are driven by the community. There have been about 3,000 of them across the country. Part of our programming directly supports those community-led programs through our investments.

Andrew Brown: That's absolutely correct, Deputy.

Almost all of the funding that goes out to support the revitalization of indigenous languages goes out to indigenous partners, who themselves are the ones who make the decisions in terms of how it should be invested to support the revitalization and protection of their own indigenous languages. That is ongoing work that we participate in each year with a joint implementation steering committee that recognizes the distinction basis to the revitalization of indigenous languages. We've been working hard with them.

A number of different strategies have been developed, and that's specific to each community. In many cases, they're leveraging the abilities of indigenous elders. Unfortunately, many of them are now getting to the end of their lives, so there's a real urgency in trying to gather that information right now and to use them to teach younger people the languages. We're often looking at people we'll perhaps say are at teaching age so that they themselves may be able to teach youngsters and, in that way, bring back their languages.

There are a number of different strategies. We put that in the hands of indigenous people themselves.

We have been following the path that was laid through the Indigenous Languages Act, which was approved by Parliament in 2019. One of the pieces there is an independent review of the Indigenous Languages Act, and that's something the minister has been proceeding with since this past fall. We are just about at the point of contracting the specific individuals who will lead that independent review.

Once that is under way, we can expect that within a period of perhaps 18 months, the lead reviewer will be reporting back with suggested and potential changes to the legislation—essentially the changes the federal government should be making to better support the revitalization of indigenous languages.

The Chair: Thank you. That is the time.

[*Translation*]

Mr. Lemire, you have the floor for six minutes.

Sébastien Lemire (Abitibi—Témiscamingue, BQ): Thank you, Mr. Chair.

At my request and with the support of several colleagues from each political party, namely the Liberal Party, the Conservative Party and the New Democratic Party, I asked the Parliamentary Budget Officer to look into the situation regarding the International Federation of Association Football, or FIFA, World Cup.

Last week, the Parliamentary Budget Officer revealed that public investments in the order of \$1 billion had been granted to FIFA, which amounts to approximately \$82 million per match. For every minute played, FIFA wants \$1 million from taxpayers; \$473 million of that comes from the federal government, a bill that can only grow because security costs can't be accounted for at this stage.

In addition, if there are cost overruns or special requirements, the federal government will cover the expenses, to which tax exemptions must be added. As we saw in the Radio-Canada report, these types of contracts involve secret agreements. This is tantamount to handing over the keys to the country.

Could we know the details on the tax exemptions granted to FIFA?

Could you provide the committee with data on the revenue that will be lost by Treasury Board? Specifically, we're talking about tax exemptions on everything generated by FIFA over a 10-year period.

Is that correct?

• (1125)

Francis Bilodeau: Regarding challenges related to tax policy, the Department of Finance or the Canada Revenue Agency would be in a better position to answer your question. We don't have any information on that.

Our department's role is to support the host cities by providing funding to ensure the delivery of the games, in accordance with the government's decision to host FIFA. Once again, this falls under Mr. Brown's purview.

Mr. Brown, would you like to add anything?

Andrew Brown: What you just said regarding customs and duties is true.

[*English*]

FIFA was granted an exemption for goods that they would be importing into the country with respect to the FIFA World Cup tournament. This is the same approach that was used for the FIFA 2015 Women's World Cup, and it was specifically related to goods that would essentially be expected to be brought in, have a temporary use and leave the country again subsequently.

[*Translation*]

Sébastien Lemire: As you rightly said, it's for temporary use. We're also talking about over \$1 billion in investments, including \$473 million in federal support.

Quebeckers rejected FIFA, which, let's face it, has an international reputation as a white-collar criminal on the international stage. That reputation stems in particular from its demands that no other events be held at the same time. We would have had to cancel the Grand Prix, whose date had already been changed, the Just for Laughs Festival, the Montreal International Jazz Festival and the Francos de Montréal. That was the kind of demand that was made.

Fortunately, Quebec and the City of Montreal did not agree. However, we still have to foot the bill. If we do the math, we arrive at over \$100 million of Quebeckers' money that will be given to FIFA to host this event.

How did you assess the economic benefits for Quebeckers? How do you justify this expense for Quebec and Canadian taxpayers?

We recall that government subsidies to host soccer matches in Ontario and British Columbia will amount to nearly \$1 million per minute of play.

Andrew Brown: As you mentioned, that amount includes not only the investment made by the federal government, but also the investment made by other levels of government.

First, the federal investment will be for the host cities so that they have what they need. Second, there is an investment to support security at matches in Toronto and Vancouver.

In the 2025 budget, there was also an announcement about ensuring the event leaves a legacy for Canadians across the country.

Sébastien Lemire: In the budget, it was presented as an investment, when in fact it's a major and shameless accounting aberration.

The deficit should be much higher than that, because it's not an investment; it's a net expense. The money invested in security will not result in infrastructure and cannot be amortized over a number of years.

In addition, guarantees were supposed to be provided in the economic study. However, while ticket prices are around \$1,370 for seats in the upper deck and \$3,100 for a lower deck seat for matches like Canada versus Bosnia-Herzegovina, there has been no surge in hotel demand in either Toronto or Vancouver. According to Destination Vancouver, there has been a 20% decrease in hotel bookings compared to last year.

Will this event be a flop?

How long will we have to pay for these bad decisions, again without knowing the ins and outs of the contracts that were disclosed and without knowing why, or at what price, tax exemptions were granted?

We won't know.

Why was this decision made?

• (1130)

Francis Bilodeau: The FIFA event is clearly one of the biggest sporting events in the world. The government has decided to support hosting it. Our department's role has been to support the host cities so that they have the necessary capacity to ensure its success.

The economic benefits can't be measured yet. We can see them later.

Sébastien Lemire: At what cost? The question remains.

The Chair: Thank you very much.

[English]

Beginning our second round is Mr. Kuruc, please, for five minutes.

Ned Kuruc (Hamilton East—Stoney Creek, CPC): Hello. Thank you, everybody, for being here today.

I'd like to start off by asking for a yes or no answer. The CBC gets around \$1.4 billion, and that's the budget for 2025.

Francis Bilodeau: That's correct.

Ned Kuruc: Do you folks know how much the TV show *Northland Tales* got out of that \$1.4 billion?

Francis Bilodeau: We don't know offhand, but we can get that information.

Ned Kuruc: They received \$2.5 million to \$5 million.

My next question is going to be very direct. Do you think it's a misappropriation of funding that the Canadian taxpayer had to have their money taken—\$2.5 million to \$5 million? By the way, I could find this on ChatGPT in a second, so I find it concerning that you don't have these numbers in front of us. I anticipated that you'd be answering these questions.

This money was given to a TV show that dragged in RCMP veterans under a false premise, only to humiliate them. I consider this

a misappropriation of funds. What does your department consider this to be?

Francis Bilodeau: There are maybe two parts to my answer. First, my understanding at this point is that the production has been halted by the CBC while they look into that. That's part one.

Part two to my answer is that the system is intentionally built so that my department or the government has no say on programming, specifically to prevent any concerns about government overreach into programming within the public broadcaster. That's the case in Canada. That's the case elsewhere.

Ned Kuruc: Based on what happened, is there any talk of now having oversight in handing out taxpayer money and having a few more checks and balances in place before funding goes out? I understand that you oversee the CBC, and the CBC sent out that money. I understand that separation, but it's the heritage ministry that really oversees everything. You might not have had a direct hand in that—I agree—but based on what happened and based on the fact that the RCMP union is now....

This is really a stain on Canadian society, what happened there. Are there talks of having some oversight before that kind of money gets handed out?

Francis Bilodeau: I understand the point. I think there are competing tensions, in what you outlined there, between protecting the independence of a public broadcaster and making governance choices—which could be made but have been made nowhere in the world—to have the government play a more direct role in the determination of programming.

The CBC—

Ned Kuruc: I'm sorry to interrupt, but it's not about the determination of programming. I understand your answer there, but when something gets funded, I'm assuming it's not just a blank cheque. Is that correct? It means there have to be some checks and balances.

We understand that the show *Northland Tales* had very bad intentions. They fooled everybody. My question is, have they fooled the CBC? Have they fooled the heritage ministry? We can't let that happen again. I respect your answer, but there should be checks and balances. I mean, this is public accounts, so I'm keeping my line of questioning to the taxpayer dollar.

Francis Bilodeau: To that end, I just want to make sure we're clear on the lines of accountability. The CBC is independently appropriated. It has a board of directors and oversight by the CRTC. That is the regime in place and that is the regime that touches on the specifics of where you would be asking questions.

Ned Kuruc: That's fair enough.

In light of what's happened, the CBC hasn't apologized. You guys oversee the CBC. Has there been any inquiry or apology on your behalf? It's been about a week or two now. What have we seen there? There are Canadians out there who are looking for answers. We can't just pass the buck on this one. I'm not saying you are, but where are we now?

• (1135)

Francis Bilodeau: Taking a step back, this was a co-production between the CBC and the Indigenous Screen Office. On that, I can turn to Joëlle, who has more details.

Specifically, the CBC has informed us that they have halted their engagement—

Ned Kuruc: So no apologies have been given. There were people brought in under false pretenses. They were duped. These are RCMP officers. These are high-ranking members of Canadian society. They were brought in with fake emails, fake corporations—fake everything—to be duped, and the Canadian taxpayer paid for it. CBC hasn't apologized. Your office hasn't apologized.

There should be an investigation. Is there an apology coming, or is an investigation going to be launched?

Joëlle Montminy (Senior Assistant Deputy Minister, Cultural Affairs, Department of Canadian Heritage): I can jump in here.

My understanding is that the CBC has provided statements in the media—

Ned Kuruc: There isn't an apology, so we'll leave that to them. They're not here. You're here. Your department is here. Your department oversees it.

The Chair: Mr. Kuruc, you're out of time.

Ms. Montminy, if you have a brief statement or a brief comment, you can give it. I'm sure we'll come back to Mr. Kuruc later, though.

Joëlle Montminy: I have nothing to add right now.

The Chair: Thank you.

We'll find some time for you later, Mr. Kuruc, to pick that up again.

Ms. Yip, you have the floor for five minutes, please.

Jean Yip (Scarborough—Agincourt, Lib.): Thank you.

Thank you for coming today.

Which community sectors received the largest share of funding in the years that were studied?

Francis Bilodeau: Can you expand on “community sectors”?

Jean Yip: Which cultural or community sector received the largest share of funding in the years studied?

Joëlle Montminy: In the cultural sector, the audiovisual sector is probably the area that receives the most direct support from the government. For instance, we fund the Canada Media Fund, which is an entity that supports independent production. It's an independent fund that works with funds that come from the regulatory contributions of the cable companies as well. There's a large fund there that supports audiovisual.

Of course, the government also supports Telefilm Canada. Last year, for instance, Telefilm Canada received an increase of \$50 million, for a total budget of \$150 million.

I would say the audiovisual sector, which is a large sector that creates significant employment and generates a high level of return

on investment in terms of GDP, receives the most funding in the cultural sector.

Jean Yip: What about in terms of smaller funding like journalism, particularly ethnic media?

Francis Bilodeau: At a very high level, if you look at how funding breaks down in the 2025-26 numbers in front of you, they're roughly proportional, if I were to go to the past year. The arts and culture sectors would account for probably around a third of total funding, and in sports slightly less than that.

In the year that I'm looking at, with about \$2 billion, you'd have about \$430 million for creativity in the arts, about \$297 million for sports and \$208 million for diversity and inclusion, and then official languages would have accounted for about \$600 million. Within creativity and the arts, the local journalism initiative is one example that you were pointing to. Roughly \$20 million is directly invested in that. There's also funding for the book fund, for the Canada Media Fund and obviously for the audiovisual sector, which would go through the Canada Media Fund but also through funding for TV5, for example.

Audiovisual, as part of arts and culture, as Joëlle was mentioning, is probably the largest recipient of our funding, but there are also supports for a number of other cultural and artistic sectors.

Jean Yip: Just to repeat it again, it's one-third for audiovisual arts and culture.

Francis Bilodeau: I would say that arts and culture generally, of the total funding in a year, would be 25% to one-third of our funding.

Jean Yip: Then there's a smaller amount for sports.

Francis Bilodeau: For sports—I'm looking at last year—there's been a significant... I have the more perfect breakdown. Sports would have accounted for 15% of our funding in the 2024-25 public accounts period, which you're mentioning. Obviously there was a significant announcement for sport recently, with an injection of \$750 million for the sport system, which is increasing the proportion.

• (1140)

Jean Yip: What proportions of funds were directed to local or community initiatives rather than large national organizations? This matters a lot to my riding of Scarborough—Agincourt, because I have a lot of smaller organizations that could really use funding.

Francis Bilodeau: We could get you a more precise breakdown, but I would say that on average, our programs tend to target smaller organizations. The average grant size in the department is below \$200,000, and a lot of the grants are in smaller locally based organizations.

Jean Yip: Mr. Brown, you touched on diversity and inclusion with I believe Mr. McKinnon's question. Maybe it was inadvertent, however. What investment has been made in the anti-racism secretariat?

Andrew Brown: One piece of great news was in the spring economic update, which announced that there would be a renewal of funding for the multiculturalism and anti-racism program, which was otherwise ending at the end of the last fiscal year. A total of \$66 million over two years was announced at that time. That's going to help us continue to invest in multiculturalism and anti-racism initiatives across the country. As you just heard, the vast majority of those involve small community-based organizations.

With respect to the anti-racism secretariat, that's also an organization that received some additional funding through the spring economic update. I'm not sure of the exact amount of funding there, but my understanding is that it is a couple of million dollars. It is an organization that was previously with Canadian Heritage and was transferred to Employment and Social Development Canada in 2024, if I don't mistake the year. We are currently working with ESDC with the intent of bringing the anti-racism secretariat back to Canadian Heritage so that it can be once again located more closely to the policy lead on anti-racism work.

The anti-racism secretariat's work is continuing. To the extent that I'm familiar with some of that work, they have continued engagement efforts across the country and internal to the federal government, bringing a framework of anti-racism to the work we do every day.

The Chair: Thank you.

I'm afraid that is the time, Ms. Yip. I apologize for that.

[*Translation*]

Mr. Lemire, you have the floor for three minutes.

Sébastien Lemire: Thank you, Mr. Chair.

I'm fascinated to see that all the Liberal questions today are about ethnic issues. This is part of the promotion of multiculturalism, which doesn't foster a sense of community. The government wants to fund community initiatives in a way that promotes isolation rather than a vision of living together, whether in Quebec or across Canada. Obviously, the department is on board with this.

I don't know if it's because of the interpretation, but I heard mention of "ethnic media" funded by the department. However, in the budget statement, the government indicated its intention to consult before implementing a potential tax credit to support journalism workers in the regions. We're not even supporting our regional media. It's a disaster. They're all on life support, particularly in Quebec. Yet, we're going to increase funding for "ethnic media" so that people will increasingly live in a spirit of ghettoization.

Is that really Canadian Heritage's vision?

When will you finally fund independent regional media to save regional news in the best interest of the entire population?

Francis Bilodeau: The issue of the health of news media is at the heart of our mission. We are focusing a great deal of attention on this issue. There are funding mechanisms that support journal-

ism initiatives across the country. The department supports regional media, but it also looks at the system as a whole, taking into account the Online News Act as well as the structure—

• (1145)

Sébastien Lemire: Back home in my riding, Radio-Canada has not had its newscast since 2018, despite the fact that the act states that every region must be represented. So there is a major problem. That's the Crown corporation. One can imagine just how vulnerable independent media have become. We're sharing a budget in which a major English-language player has taken 70% of the funds.

I want to ask you another question about regional festivals. We see that the department is increasingly withdrawing from this type of event. The very survival of what makes the regions diverse and beautiful depends on festivals in the villages. Whether it's the Foire gourmande or H2O le festival, these organizations have lost a tremendous amount of funding, particularly because you believe that an artist must absolutely come from the region.

However, there are fewer artists in Abitibi-Témiscamingue. The vitality of our festivals and their ability to attract crowds depend in particular on the presence of nationally renowned artists, such as those from Quebec. In Ottawa, Quebec is considered a region, but an artist from Montreal performing in Ville-Marie is not considered a local artist. They cannot receive funding, and it cannot contribute to the success of an event.

Festival funding has been cut, which means the very survival of these tourism events is at stake.

When will you restore funding for our major cultural events in the regions?

Francis Bilodeau: To quickly come back to your question about newspapers, electronic media have clearly changed their traditional business and revenue model, which is now more difficult to apply. So we're looking at this issue as well as the rationale behind Bill C-18.

As far as local festivals are concerned, this is certainly a sector where funding continues to be available.

Ms. Montminy is very involved in this sector. Do you want to add anything, Ms. Montminy?

Joëlle Montminy: We have allocated investments in budget 2025 to increase funding for local and community festivals. We have also reinvested in the program that funds major festivals, such as jazz and blues festivals. So there were investments in budget 2025 to continue increasing funding.

What you're referring to is the program that supports community festivals, for which there is indeed a high level of demand. The distribution of funding has led to some festivals experiencing a decrease in funding. We know that, since the COVID-19 pandemic, costs have also risen for many organizations. We're very aware of this, and we're trying as much as possible to continue supporting the vitality of these festivals, which are very important in the regions.

As for the eligibility of artists to participate in festivals—specifically whether they must be local or Canadian—again, this depends on the program. In the major festivals program, there may be artists from all over, but in the community festival program, one component stipulates that artists must be local.

The Chair: Please be brief, Mr. Lemire.

Sébastien Lemire: Can I ask for a written response?

The Chair: Yes.

Sébastien Lemire: Can you give us your definition of a rural region? It's just to understand how that applies within your funding structures. I get the impression that we're being heavily penalized in Abitibi-Témiscamingue.

For example, federal funding for the Foire gourmande went from approximately \$700,000 to \$200,000 this year. This obviously has a major impact on the survival of a major event in Abitibi-Témiscamingue and northeastern Ontario.

Thank you.

The Chair: Thank you very much.

[English]

We're turning now to Mr. Stevenson, who will have five minutes, and then we're going to close with Mr. Ma for five minutes.

You have the floor, Mr. Stevenson.

William Stevenson (Yellowhead, CPC): Thank you.

I'm going to go back to a line that's similar to my colleague Mr. Deltell's. I have seven indigenous reserves in my beautiful riding of Yellowhead. Over the last year, I have started communications with them. One message that's been clear is that indigenous languages and culture must be preserved, especially with some of the results out there: Today, nearly 70 indigenous languages are at risk of disappearing.

The report that came out about this conference—\$10 million spent over four days—is a bit concerning. There are some reports out there that an elder from Norway House is being paid about \$20,000 a year to teach language, yet the commissioner earns over \$216,000 and directors are earning over \$150,000. The front-line people who are actually teaching are making significantly less.

I'll ask a couple of more general questions to start with. Was the creation of the commission meant to isolate the government from decisions so that the commission made all of the decisions and the government wasn't really responsible for any of them?

• (1150)

Francis Bilodeau: The nature of the decision was that, in this space, it was important to co-create and work in partnership with indigenous communities. We wanted to avoid a situation where the government was the sole decision-maker in this space, which is so important for indigenous communities—

William Stevenson: Would you say this was part of the reconciliation strategy from the languages side of it?

Francis Bilodeau: I would.

William Stevenson: It appears to me that when some of this was created at arm's length, there was not really a lot of oversight. Can

you tell me what kind of oversight the department has when it comes to this commission, especially in dollars? To me, it looks a bit like the Liberals—as they've done best—threw money at a problem and let somebody else take on the duties and responsibilities for it.

Andrew Brown: As has been mentioned already, it certainly was created as an independent, arm's-length organization.

At Canadian Heritage, we have two funding agreements with the Office of the Commissioner of Indigenous Languages. This is about their annual expenses, if you will; it's not about looking inside the organization at their specific intentions.

They provide an annual business plan in advance, which is reviewed. They also submit their annual reporting.

William Stevenson: Earlier, one of you said that Canadian Heritage considers the “prudent management of public funds”. Would that include actually analyzing a budget?

My other colleague talked about how the money comes out, and you've given them money, but it doesn't appear that you're actually doing any sort of budget review. You're leaving that entirely to them, and that's why there's now an investigation. It's because maybe somebody didn't have a very good budget.

Andrew Brown: It's fair to say that the onus is on the commissioner and the directors to do oversight of the office's operations. It is a very high-level review that we provide at Canadian Heritage. That's the nature of the—

William Stevenson: The heritage department isn't going to review anything other than their final product after the fact. You're not reviewing anything prior. You're not looking at budgets.

Andrew Brown: That's a fair assessment. That's due to the independence.

William Stevenson: Would it be fair to say that this investigation would not have even come onto your radar if there weren't a whistle-blower?

Andrew Brown: That is fair to say. We are conducting this because of a whistle-blower.

Beyond that, we are looking for information so that we can determine whether there are issues with the management in that office. At this stage, we do not have evidence that would validate that one way or the other.

William Stevenson: So—

The Chair: Ask a brief question, Mr. Stevenson. “Brief” is key, though.

William Stevenson: It doesn't appear that there are any checks and balances from your end. You've given them a blank cheque and they've run with it.

Francis Bilodeau: It's fair to say that independent organizations and the people who are named as the heads of them have an accountability to ensure the proper oversight and management of those reserves. It's fair to say that there are requirements for some reporting within our grants and contributions, as Mr. Brown said, but they are not the same as they would be if it were our own department. That is by design, to ensure some independence and that it's at arm's length.

It's also fair to say that once we learned of potential allegations, steps were taken.

• (1155)

The Chair: Thank you very much.

Mr. Ma, you have the floor for five minutes to close us out with these witnesses.

Michael Ma (Markham—Unionville, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses for being here.

As my first question, what are the key performance indicators for Canadian Heritage?

Francis Bilodeau: As you'll see, they are clearly laid out in the departmental results report. They are aligned with our core mandates. One is around thriving culture and arts. Some are about sports—participation in sports and the safety of sports—and thriving multiculturalism. They are aligned to our major project objectives. I will see if my colleague can pull them out.

As we do our department reports, they are also reviewed to ensure they are meaningful and that we are able to effect and move them over time. There are areas such as the vibrancy of journalism, where we have seen a lower number of journalists. At the same time, there are areas where we're seeing significant progress. The indigenous languages area has been named multiple times. That is a space where, over the last several years, over \$1.4 billion has been invested and where we've seen some progress and improvements in the vitality and existence of languages that were by and large having difficulty surviving.

Michael Ma: In general, do you have set targets for all of the spending in the funded programs? How do you measure that?

Andrew Brown: Absolutely, we have targets. In fact, we have a lot of targets, which I think is one of the challenges we have in pulling them out.

For example, the deputy talked about indigenous languages. We have specific targets with respect to the number of people in Canada who are able to maintain a conversation in an indigenous language. This is something we hope to report on soon, as the 2026 census is under way. We expect to have some new data to report on that, to understand the impact of investments in indigenous languages, as one example.

We look at other kinds of activities we support—festivals and celebrations across the country, like Canada Day, for example. One of the things we measure and that we're interested in is the number of participants—the number of Canadians—participating in these broad festivals, not just those that are perhaps more community-

specific. We have specific indicators with respect to official languages as well.

We have the five main areas of our programs that were spoken to. I wanted to mention that we do indeed have specific targets that cut across all of those areas. Certainly, one of the things we're looking at is where we are meeting targets, where we are having challenges meeting targets and how we can improve our programs so that we deliver a better performance for Canadians.

Michael Ma: How have these funded programs contributed to the economic recovery of the cultural sector?

Francis Bilodeau: I will say two things.

Number one, the department's support for the industries—particularly during COVID and in its aftermath—was a significant lifeline to the industry, which was otherwise very hard hit.

Number two, returning to some of your specifics around examples of targets, one of our targets is the value of creative exports. We set a target of \$20 billion. We're really happy that, recently, the creative export strategy was renewed and funding was made permanent for that program. That program will hopefully allow our creative and cultural industries to export and thrive both in Canada and more broadly and contribute to the economic well-being of the country.

• (1200)

Michael Ma: I have a question similar to one my colleague asked earlier about local community initiative funding. How do you proportion it between local and large national organizations? In my riding, a lot of constituents are seniors. They're feeling the squeeze because they don't have a lot of income, but they're being turned down for supportive funding and so forth.

Joëlle Montminy: We have a multitude of programs in our department, and we always look to make sure that there's a good balance between supporting local organizations that create... Across the department, we have programs that do a number of things, but we always ensure that there's a good balance between supporting the production of Canadian content, which we do with different organizations...and also large ones, because it's an ecosystem. We need some of the bigger players. They can sometimes have a bigger impact on some of the objectives that are pursued in some of these programs. There's also a local reality with organizations that contribute significantly to the ecosystem.

I think of programs in journalism, in the audiovisual sector and for music and books. We support organizations across different kinds of business models, even if they're quite small. For media organizations, we will fund organizations that have two journalists and very large organizations as well.

Francis Bilodeau: The only thing I would add is that every single one of our major pillars and activities, whether it's creativity, arts and culture; heritage and celebrations; sport; diversity and inclusion; or official languages, will include programs targeting local initiatives. Whether it's on official languages through the community life programs, on the sports element with the community sport for all initiative, or the local arts and heritage festivals, each of the pillars has dedicated programming streams aimed at local initiatives.

The Chair: Thank you. That is the time.

I want to thank the witnesses for their testimony, for coming in today and for participating in our study of the public accounts for 2024-25.

I want to move to the next round of witnesses right away. I'm going to come back as soon as I can—in about a minute or maybe 90 seconds.

This meeting is suspended.

- (1200) _____ (Pause) _____
- (1205)

The Chair: Welcome back, everyone. I'm glad everyone could make it.

For our second hour, we have the Bank of Canada. With us is the senior deputy governor, Carolyn Rogers. Coralia Bulhoes, the managing director and chief financial officer, is accompanying the deputy governor.

Thank you for coming.

There is no opening statement, so I'm going to begin things right away.

Mr. Scheer, you have the floor for six minutes.

Hon. Andrew Scheer (Regina—Qu'Appelle, CPC): Thank you very much, Mr. Chair.

It's a pleasure to welcome you here to the committee this morning.

Ms. Rogers, you wrote a piece on productivity that I'd like to ask a few questions about.

When I look at the last budget the government tabled, I see the eye-watering amount of money that Canadian taxpayers have to spend on debt servicing costs. In that budget, it's \$59 billion the Government of Canada is going to spend just to pay the interest on the debt. That's more than it pays for health care right now. It also stands in stark contrast to the commitment the government made about a year ago that the deficit would be only about \$30 billion. This budget has come in at well over \$60 billion with the deficit.

Is all the money that's being spent on servicing the debt acting as a drag on productivity? If that money came down and the government had to spend less on debt servicing, it would free money up for tax cuts and investments in infrastructure. Would you agree that the money spent on debt servicing is having an effect on productivity?

Carolyn Rogers (Senior Deputy Governor, Bank of Canada): I think your point that money spent on debt servicing could be redirected to other things is accurate.

Hon. Andrew Scheer: The bank has also warned us recently—I think it was just a few days ago—about the high risk of volatility in the future. When interest rates go up, it affects the government's debt servicing costs.

Do you have any estimates on what interest rates going up a half or full point would do to the amount the government spends on servicing the debt?

Carolyn Rogers: No, I don't have that number at my fingertips. We're here today to talk about our own financial statements.

Hon. Andrew Scheer: All right. I appreciate that.

On those financial statements, the bank announced last year that it was ending the quantitative tightening phase of its settlement management, but I think it still has about 150 billion dollars' worth of government bonds on its balance sheet.

What is the timeline for normalizing the bank's balance sheet position? Other central banks are trying to get those increases in settlement balances off the books, but the Bank of Canada seems to still be at about \$150 billion. Is there a timeline for moving that off, or is that where the bank is comfortable?

- (1210)

Carolyn Rogers: We have pretty much completed the normalization process. I think our balance sheet has settled into a steady-state position.

Settlement balances move in relation to a couple of things. They move in relation to the overall size of the economy. They move in relation to regulatory capital requirements. There are a number of reasons that members of the payment system want to hold higher levels of settlement balances.

We're through the balance sheet normalization period. We think we're probably going to settle in around here. It could move up or down a bit, but we're pretty well where we think we need to be.

Hon. Andrew Scheer: Okay, so about \$150 billion will be...?

Carolyn Rogers: Is there an actual settlement balance number?

Coralia Bulhoes (Managing Director, Financial Services, and Chief Financial Officer, Bank of Canada): The settlement balance is \$74 billion.

Hon. Andrew Scheer: I'm sorry, but when I say “settlement balance”, maybe I should clarify. I mean the amount the bank holds in government bonds. Would that be closer to \$100 million?

Carolyn Rogers: That's a different thing altogether.

Do you have that number?

Coralia Bulhoes: Yes. For government bonds it's \$167 million.

Hon. Andrew Scheer: Is that where the bank is going to stay, then?

Carolyn Rogers: That was in relation to the demand for money in the economy. When we put money into the economy, we offset it with bonds, so that will move around, but yes, that's about the steady-state number—for now, at least.

Hon. Andrew Scheer: How does that compare with pre-COVID levels?

Carolyn Rogers: It's slightly higher.

Hon. Andrew Scheer: Okay.

I was just looking over the course of the last month.... I know that the banks restarted the purchase of treasury bills back in the fall. When I looked at the numbers for the money supply over the last 12 months, in every category I could find on the bank's website, from M1+ to M2++, they had all increased substantially—some 6.8%, some 6.7%, some 3.8%.

We're currently in a position under the Liberal government where the economy is contracting. We just saw results—out on Friday—that Canada is in a recession and that GDP is actually contracting. With the money supply expanding and GDP contracting, are you concerned at all about another inflationary period?

Carolyn Rogers: I'm a bit confused by your question, because you started with the T-bills on our balance sheet. Do you want me to address why—

Hon. Andrew Scheer: I'm just observing that some of the decisions the bank has made also correlate—whether it's causation or not—with big increases in the money supply. That's at the same time that the economy is contracting.

Carolyn Rogers: I think you're conflating two things. We buy treasury bills on our balance sheet to balance it. We need to keep our assets and liabilities in balance. We'll buy treasury bills as normal-course market operations. Money supply in the economy is a different thing altogether. Money supply is created primarily by commercial banks when they lend. Money supply is going to increase or basically move in response to demand in the economy, to a large degree.

Hon. Andrew Scheer: But when the bank purchases various forms of government debt, it can also have an impact on the money supply if institutional banks can lend against....

Carolyn Rogers: Yes, indirectly it can affect money supply.

Hon. Andrew Scheer: I guess that's my observation. Even if we park the discussion on treasury bills, if we look at all the ways the bank calculates the money supply, it's been increasing over the last 12 months, whereas the economy is contracting. The last time that happened, we had very significant inflation.

Carolyn Rogers: I'm familiar with the theory that some hold about money supply and inflation. I'm happy to dive into what we think caused inflation in the last run-up. We don't think it was the money supply.

I didn't bring money supply data with me, because I thought we were here to talk about our financial statements. We're happy to supply you with the most current numbers on money supply indicators. As you said, they're available on our balance sheet.

The Chair: Thank you. That is the time.

Mr. Ma, you have the floor for six minutes, please.

• (1215)

Michael Ma: Thank you, Mr. Chair.

In general terms, what are the most important indicators in the public accounts that parliamentarians should monitor when assessing Canada's long-term fiscal sustainability?

Carolyn Rogers: Do you mean in general, or are you talking specifically about our—

Michael Ma: I have several specific ones later. I'll just start off in general terms.

Carolyn Rogers: Okay.

I think you would look at the health of the public accounts as you would in another organization. You would look at debt levels and the cost of carrying that debt. You would want to understand what that debt is funding, what types of assets or programs it's funding, the sources of revenue relative to costs—all of the normal things.

Michael Ma: Maybe I'll get into some specifics.

The first one I have is in terms of debt-to-GDP, interest costs, program spending growth and contingent liabilities.

Carolyn Rogers: Should those be things you monitor? Yes.

Michael Ma: Yes. How are we doing in those?

Carolyn Rogers: That's a question for your committee. Again, I'm here to talk about our own financial statements.

Michael Ma: Okay.

Second, how does the bank assess Canada's capacity to respond to future shocks if current geopolitical uncertainties persist for several more years?

Carolyn Rogers: How does the bank assess the overall economic ability...?

Michael Ma: I mean capacity. Basically, if this trend continues, how well can Canadians hold up?

Carolyn Rogers: Well, I'll come back to the speech that Mr. Scheer referenced. One of the ways that Canada could boost its ability to deal with economic shocks is to improve productivity. Productivity can act as a buffer when you experience the kinds of shocks that we have been experiencing and that we anticipate are likely to continue or at least not decrease.

We're in a quite a bit more volatile world. A lot of the shocks that the Canadian economy is experiencing are coming from outside. They're international. They're geopolitical. Certainly, an economy that has a healthy level of productivity has some room to buffer those types of shocks.

Michael Ma: What kinds of risks are most rapidly eroding that capacity?

Carolyn Rogers: Well, business investment is not where it needs to be. That's to be expected in an environment with the degree of uncertainty that businesses are facing right now.

There are things we could do to improve our productivity that are very much within our control. We need to continue to work on some of the barriers to moving labour and goods interprovincially. My colleague, Deputy Governor Vincent, gave a speech about the labour market and the need to make sure that we are training young people for the jobs that are most in demand.

A number of things are very much within our control, but a lot of the shocks that the economy is facing right now are very externally driven. They're very geopolitical.

Michael Ma: What indicators would signal big concerns for you?

Carolyn Rogers: Big concerns about our ability to....

Michael Ma: I mean for capacity.

Carolyn Rogers: We would very much like to see the productivity numbers turn around. If those numbers continue to decline, that would be concerning to us.

Michael Ma: Where are we today and what do you think is the achievable target, then?

Carolyn Rogers: It's not good today. Our productivity continues to decline.

We need to continue to invest in capacity building and some of the education objectives that my colleague talked about. We need to try to create an environment for business investment.

All of the plans the government is laying out are good plans. There needs to be a sustained focus on implementing some of these plans. The tricky bit really is that a lot of these things are going to take time to bear fruit.

There's sort of a lag in how soon you're going to see the results of some of this investment show up in the types of things we watch. In productivity, certainly, it's going to take a while. They're things like GDP, growth and even our employment numbers. These investments take a while to get traction and really help boost the economy.

• (1220)

Michael Ma: Thank you.

My next question is, what economic indicators should Parliament monitor to determine whether Canada's trade diversification strategy is succeeding? I recognize that you said a lot of these programs will take time.

Carolyn Rogers: I can tell you how we're thinking about this and how we're trying to get a gauge. That's just by talking to businesses. Often, what businesses are doing to diversify their trade doesn't really show up in their own numbers for a while, and then by the time it shows up in their numbers, it takes a while to show up in national numbers. What we're doing to try to gather more real-time data and really understand some of the structural changes in the economy is get out and talk to businesses more.

Michael Ma: Do you look at export concentration in investment flows? You talked about investment earlier.

Carolyn Rogers: Certainly. That's the data that it will eventually show up in, but I thought your question was about what we can be looking at now to understand the change.

Michael Ma: Now and in the future, yes. You also talked about employment and productivity, so that's very helpful, indeed.

The Chair: You have time for one last brief one, Mr. Ma.

Michael Ma: Okay.

In budget 2025, with the promise of major investment intended to strengthen productivity, from the bank's perspective, what economic indicator should Parliament monitor over the next five years?

Carolyn Rogers: There are probably many. I would say that business investment would be a really good one. I'd keep my eye on that.

The Chair: That was a nice succinct answer. Thank you very much.

[*Translation*]

Mr. Lemire, you have the floor for six minutes.

Sébastien Lemire: Thank you, Mr. Chair.

First, I'd like to thank the witnesses for being with us.

Last week, we learned that Canada is in a technical recession, given that real gross domestic product, or GDP, has declined for two consecutive quarters.

What steps can the Bank of Canada take to rectify the situation?

Carolyn Rogers: Thank you for your question.

[*English*]

Let me talk a bit about the data and this "technical recession" label.

When there is a lot going on in the economy, as there is right now, and there are things pulling different parts of the economy in different directions, you're going to get some noise in the data.

The first thing I would say is that we want to be careful not to over-rotate on any one number, on any one indicator. Two quarters of annualized contraction in GDP does meet one definition of a recession, but the simple fact that you have to put the term "technical" in front of it tells you that you need to look past that one indicator. You need to look at employment. You maybe need to look at some of the leading indicators. We know, for example, that the flash data—flash is the early warning—on GDP for April tell us that there's been a bit of a rebound. We need to be careful not to put too much weight on any one indicator. Let me just start there.

As for your question about what the bank can do to respond to this, we'll be making our next decision in just over a week from Wednesday. We'll be starting our deliberations on that decision later this week. I'm not going to prejudice those deliberations, but we'll be taking in all of the current economic data, including last week's data. We'll have some more data later this week on the labour market. All of that will be factored in as we think about what our next monetary policy decision is.

[Translation]

Sébastien Lemire: At a press conference last week, you argued that high stock prices, rising corporate debt and the amounts borrowed by investment funds pose significant risks to Canada, particularly given the economic and geopolitical situation.

Indeed, when it comes to youth unemployment, Mr. Vincent, a deputy governor at the Bank of Canada, noted that 22.5% of the unemployed had been out of work for more than 27 weeks, in a market where employers are looking for more experience. These factors have an impact. One of the tools available to Bank of Canada, and I think you alluded to this at the end of your response, is the policy rate.

Am I to understand that the Bank of Canada could adjust its policy rate in the short term?

• (1225)

[English]

Carolyn Rogers: Do you mean our policy decision rate?

Sébastien Lemire: Yes.

Carolyn Rogers: Certainly we will be reviewing it in the short term. We'll be starting deliberations later this week on our next policy rate decision. That decision happens next Wednesday. We will be deliberating on that in the near term.

Just to back up to your other questions, yes, the speech that my colleague gave on youth unemployment did cite that as a concern in the economy. It's not unusual when you see an economic downturn or a slow labour market like we're seeing right now, with some of the headwinds that the economy is facing.

Youth are usually one of the first groups of people hit by a tough labour market. They're trying to get their first job. Employers are pulling back on hiring. They put a high premium on experience, so they maybe won't hire as many new employees. It's not unusual to see youth unemployment being higher than the overall rate of unemployment, but it is a concern. We are watching it.

As I said, one point that my colleague made in his speech is that we need to be thinking about whether or not our education programs are setting our youth up for the jobs that are available in our economy. Particularly when our economy is going through a bit of a structural shift, those types of jobs are going to change, and we want to make sure we're preparing a labour market both for the sake of the economy and for the sake of the youth who are going to be looking for jobs.

[Translation]

Sébastien Lemire: Let's move on to the last point. Canada's gold reserves have all been sold. I come from a mining region, specifically a gold-producing region. In 1965, Canada had 1,023 tonnes of gold on its reserves. Starting in 1985, Canada began to reduce its reserves, and the last ounce was sold in 2016.

Today, if we still had the gold, if we still had 1,023 tonnes of gold, it would be worth \$235 billion. That would obviously have an impact on our debt.

Are you going to start stockpiling gold again to give us reserves that have clearly been very effective in stabilizing the Canadian economy?

[English]

Carolyn Rogers: The gold reserves you're talking about are held in the government's foreign currency exchange fund account. That is not on the Bank of Canada's balance sheet. That's the government's account. As the fiscal agent, we manage that account for them. We don't make the decisions of what to hold in that account. We make the purchases once the government decides what to hold in that account.

More broadly, though, the way I would address your question is by saying that the purpose of that account is to have on hand some liquidity in different currencies. For something to be liquid, you need to be able to deploy it quickly. Gold doesn't really meet that definition. I think the decision to move out of gold and into actual currencies was probably to make sure that that account is liquid and can serve the purpose that it's there to serve.

[Translation]

The Chair: Thank you very much.

[English]

We will begin our next round of questions.

Ms. Kusie, you have five minutes, please.

[Translation]

Stephanie Kusie (Calgary Midnapore, CPC): Thank you, Mr. Chair.

[English]

Welcome. Thank you so much for joining us here today.

Madam Rogers, I see you have an M.B.A., like me, but I think you've made better use of yours than I have in being up there rather than here. I also see you went to Brandon University, which leads me to believe you might be a Manitoban, like my husband.

Carolyn Rogers: I am.

Stephanie Kusie: That's excellent. I'm Albertan, but our two provinces share a strong bond in our household.

Last week, you released the bank's financial stability report, and I wanted to ask you a few questions about it.

The report notes that vulnerabilities have increased in some parts of the Canadian financial system and that "a new shock or a combination of shocks could cause several vulnerabilities to crystalize at once." I haven't heard my colleagues use this quote as of yet, which I think is very good.

In your opinion, what would a crystallization of vulnerabilities look like for Canadians?

• (1230)

Carolyn Rogers: What we worry about is a huge, sudden demand for liquidity that would create, as we term it, dislocations in core funding markets. When that happens, the core funding markets that make sure there is liquidity and funding for all kinds of things in our economy—everything from governments funding themselves for rolling over debt to corporations rolling over their debt to making sure there's stability in markets like mortgages, consumer loans and commercial loans.... When you have a very sudden spike in demand for liquidity, what happens is that you can get margin calls on investors and, in order to meet those margin calls, investors can start selling assets. There can be more assets available for sale than there are buyers in that type of stressed environment, and you can get very large moves in prices that disrupt markets.

That's the scenario we picture when we think of more than one thing going wrong at one time. Some of these things can interact with and feed each other, and you can get a bit of a confidence spiral.

Stephanie Kusie: I'm very concerned about this at the household level in Alberta. I saw a report last week that said Calgary, unfortunately, leads the way in non-mortgage consumer debt, with an average of \$24,500 per household. Shortly behind is Edmonton, with \$24,000. I see the trickle-down effect that you are referring to. It's very easy for these callbacks to domino very quickly back down to Canadians.

How would that and what you described affect the bank's decision-making? You talked about next week as a very pivotal point, with June 10 approaching in fewer than two weeks. You discussed vulnerabilities and touched on several factors that the bank will be considering. You referred to employment. Of course, we've seen significant, high unemployment rates. I like what you said about youth. We've seen youth having trouble obtaining employment across the country.

How will those vulnerabilities affect your decision-making as you make a decision for June 10, after two quarters of negative reporting?

Carolyn Rogers: You jammed a lot in there.

Stephanie Kusie: I apologize. I did, because I have a brief understanding of the complexity of the decision you're making.

Carolyn Rogers: Let me just first clarify my first answer. I thought you were asking me to imagine the scenario that we said we worried about in the financial stability report, where a number of vulnerabilities crystallize at once or a number of shocks hit at once, and the economy comes under financial stress. What does that look like?

Unlike the monetary policy report, which we publish four times a year, we publish our financial stability report once a year, and it's very different. What we try to do in the financial stability report is imagine the worst thing that could happen. We really ask ourselves the question, "How prepared are we? Do we have enough resilience built up in the financial system that we can withstand a shock when

things start to malfunction or liquidity seizes up?" That's the purpose of that report.

When I answered your question, I was trying to give you a picture of the stress test that we think about. I think your question is really more about how we think about the different points of financial stress or vulnerabilities in the economy when we make our monetary policy decisions. Have I interpreted your question correctly?

Stephanie Kusie: Yes, I believe they are interrelated, as your answer is indicating.

Carolyn Rogers: Certainly, financial conditions more broadly are always one of the factors that feed into a monetary policy decision. The financial markets are how we transmit monetary policy, so if they're not functioning properly, then it becomes harder for monetary policy to get traction. Financial markets, if they're under stress, can push interest rates up, for example, and we might be trying to hold interest rates steady. It's definitely one of the things that feed into our monetary policy decision.

I think your other question was about whether we think about levels of household debt and how those feed into our decisions. Certainly, that's going to affect how much traction monetary policy has too, so those are definitely things that we're always tracking.

• (1235)

Stephanie Kusie: Good luck with your deliberations. Thank you.

The Chair: Thank you.

Before I turn to Mr. McKinnon, I'll note that we are expecting the bells to go off. As per custom, I'm going to keep working through the first 15 to 16 minutes of the bells. I've talked with government members.

Is it okay to do that? I'm seeing Mr. Lemire nod as well.

Ms. Rogers, I think you will get out of here a little early. The bells will go off, but I'm going to keep going—Mr. McKinnon, I won't interrupt you—and then we'll wrap things up at the end of this session.

You have the floor for five minutes, please.

Ron McKinnon: Thank you, Chair.

Thank you for being here.

I'm not going to approach this with any kind of economic sophistication. I'm a computer programmer.

In your deck, you indicated that one of the liabilities the bank has is banknotes in circulation. I'm wondering how cryptocurrency factors in there. Do you guys have a role in cryptocurrency? Do you supply cryptocurrency? What are the consequences more broadly in having cryptocurrencies out there?

Carolyn Rogers: We don't supply cryptocurrency, and there are no cryptocurrency assets on our balance sheet.

On your last question, though, about the broader implications, cryptocurrency has for the most part stayed in the realm of speculative investment. I think of it as less of a currency—as much as it's called a currency—and more of a speculative investment.

Certainly, if cryptocurrency were to grow quite a bit from where it is now, and, more importantly, if it were to become a form of payment and was being used more broadly in the economy, it's possible that it could affect the traction of monetary policy, because it's a separate form of currency and payment, but we haven't seen it play that role in the economy yet.

Ron McKinnon: It's kind of a niche element in the economy at this point. Is that what you're saying?

Carolyn Rogers: Yes. As I said, I think its most clear definition would be that it's a speculative investment asset at this point.

Ron McKinnon: Carrying on with this, as we hopefully do more business with Europe, for example, how does the value of the euro versus the value of the U.S. dollar affect our economic decisions and our economic welfare?

Carolyn Rogers: We deliberately have a floating exchange rate. It's a feature of our monetary policy framework. If we're doing more trade in euros, then certainly the movements in the euro relative to the Canadian dollar would affect the balance of trade accounts, but as I said, a floating currency is a feature of our monetary policy decisions.

Ron McKinnon: Just to belabour this, as to banknotes in circulation, people don't use banknotes so much anymore. I don't think I've paid a bill with a Terry Fox bill recently. Everything is electronic. Does that affect the banknotes in circulation and the liabilities of the bank?

Carolyn Rogers: I can see how you would think that, but, in fact, a lot of people still use cash. One in every five transactions is still done in cash. We continue to see the demand for notes increase, so we haven't seen a huge drop-off in the demand for banknotes.

Ron McKinnon: Do you have any projection of where this is going in terms of currency in circulation and the relationship with cryptocurrencies and so forth?

Carolyn Rogers: Again, because cryptocurrencies are more of an investment than they are a payment vehicle, I don't expect them, at least in the near term, to have a big effect on the demand for banknotes.

On your broader question, the premise of your question up front is something we thought a lot about: As our economy becomes more digital, will we see the demand for banknotes drop off? I think we've thought for a long time that we would see that, but as I just said to you, so far at least, Canadians are still using banknotes for 20% of their transactions.

Ron McKinnon: Thank you very much. I think that's my time.

• (1240)

The Chair: Thank you very much.

[*Translation*]

Mr. Lemire, you have the floor for two minutes.

Sébastien Lemire: Thank you, Mr. Chair.

Ms. Rogers, the Bank of Canada's deficit now stands at \$9 billion, largely because it purchased Canada's debt during the pandemic. It needs five years to return to a balanced budget, if and only if we do not face new economic crises, which is far from certain. The latest data give us cause for concern in this regard.

As a result, the Bank of Canada is also enriching Canadian banks by \$9 billion, even as they are making massive profits and the Bank of Canada's dividends will not be paid out until 2030.

How do you justify this decision when we may be going through a new economic crisis? We went through the commercial paper crisis, and at that time, the Bank of Canada was not running a deficit. Why must the COVID-19 deficit be invested in the banks, and why is the Bank of Canada, and, in this case, Canadian taxpayers, paying for it?

[*English*]

Carolyn Rogers: Your question is why we pay interest on the settlement balances to banks.

[*Translation*]

Sébastien Lemire: Why was this strategy put forward, rather than the strategies followed in the past that did not burden Canadian banks with debt?

[*English*]

Carolyn Rogers: I think I understand your question. Perhaps you're confusing or conflating two different things.

We have always paid interest on settlement balances. That is not a new strategy or a strategy that changed during COVID. That is how we implement monetary policy. It's basically the overnight rate. We set the rate, and that is the rate against which other forms of credit are priced in the market. Paying interest on settlement balances is an important part of implementing monetary policy.

In terms of your other question, maybe you can help me understand it. Are you asking me how I justify the deficit?

[*Translation*]

Sébastien Lemire: To address the deficit that was accumulated during the pandemic, debt was purchased from Canadian banks. Naturally, when you buy debt, you pay interest, and you pay it to the banks. The banks are making profits on COVID-19 debt, even though the Bank of Canada had the ability to borrow at virtually zero interest rates at that time. There is, therefore, a consequence. Interest is being paid to Canada's big banks, which don't necessarily need that money, rather than to the federal government, which is currently running massive deficits.

Is financing the banks really the right approach to take?

[English]

Carolyn Rogers: The losses on our balance sheet stem from quantitative easing during the pandemic. That was not a “funding the bank” strategy. That’s not what it was. Quantitative easing was a strategy to try to keep the price of long-term debt in the economy low and help stimulate the economy out of an extremely sharp recession as a result of the pandemic. It’s a very extraordinary monetary policy measure that we hadn’t undertaken in the past. That was the first time the Bank of Canada undertook it. We don’t expect to undertake it in the future, except in very extreme circumstances.

That is the source of the deficit the bank had. It was not from us lending money to banks.

I hope I’m understanding the question.

[Translation]

Sébastien Lemire: Thank you.

The Chair: Thank you very much.

[English]

Mr. Deltell, you have three and a half minutes, and then Ms. Yip will close us out for three and a half minutes.

[Translation]

Mr. Deltell, you have the floor.

Gérard Deltell: Good afternoon, ladies. Welcome.

Senior Deputy Governor, I checked, and you’re from Winnipeg.

Carolyn Rogers: Yes.

Gérard Deltell: Earlier, you talked about productivity. To what extent do you currently assess productivity in Canada?

To what extent does this affect public finances and, of course, the Bank of Canada?

Carolyn Rogers: I’ll be clearer in English.

[English]

Your question is, how do I assess productivity as it affects the country’s finances and the bank’s finances? Do I understand that correctly? Okay.

I’ll start with the bank’s finances, because that’s fairly straightforward. It doesn’t have a direct effect—or really any effect—on our balance sheet or our income statement. The speech I gave talked about how it affects monetary policy in the sense that an economy that has high productivity can grow faster before it starts to create inflationary pressure. That means an economy can heat up, can get going and can grow quickly, and it’s not going to create inflation, which means that the bank will not have to intervene to try to damp down the economy to keep demand and supply in balance and make sure that we don’t get an inflationary surge that comes with a growth surge.

As I said in answer to the previous question, it creates a nice buffer in the economy that lets you buffer shocks and surges in growth. It kind of inoculates you against some of the inflationary

pressures you get. That’s how we think about productivity in the context of monetary policy decisions.

In some sense, it does a lot of the same things for the broader fiscal position of government. It allows the economy to grow. If productivity gains are shared across the economy, that improves the standard of living for everybody.

If you think about it, you realize that productivity is fundamentally that we create more output per hour of input of labour. If you have a company and can create more of whatever you’re making for every hour your employees work, then your company is going to grow and become more profitable. It’s the same with a country. If a country can create more GDP per hour of labour it has, then the country’s wealth will grow. Assuming that wealth is spread broadly across the economy, it helps everyone.

• (1245)

[Translation]

Gérard Deltell: Since I don’t have much time left, I’d like to ask a question to satisfy my curiosity. You mentioned that cash is still being used in 20% of transactions. Over the past 30 years, the Bank of Canada has phased out thousand-dollar bills, pennies, dollar bills and two-dollar bills. Pennies were phased out, but the dollar bill and two-dollar bill have been replaced by coins.

Are there any upcoming changes to the currency we use in the Bank of Canada’s plans?

[English]

Carolyn Rogers: We are going to be releasing a new \$20 bill later this year with the new monarch on it. We also have a new five-dollar bill in production.

Gérard Deltell: It will not be a coin.

Carolyn Rogers: It will not be a coin. It will be a bill.

I would say that most of the changes and advancements we’re making.... For one thing, we do the notes. The mint does the coins. The advancements and gains that I think we focus on most now are about anti-counterfeiting—making sure that bills are not easy to counterfeit and that people continue to have confidence.

You talked about getting rid of some of the very large bills. You can imagine that small businesses worry if they take a five-dollar counterfeit note. That’s different from taking a \$100 counterfeit note. If you’re a counterfeiter, you’re always going to counterfeit the big bills.

These new notes that are coming out are going to have enhanced counterfeit measures. Overall, the Bank of Canada has an extremely good record on counterfeiting, with very low parts per million.

The Chair: Thank you very much.

Ms. Yip, you'll close us out.

I will just let everyone know that I am watching the clock. We're not voting at the top of the hour. We're voting at around 1:05.

You have three and a half minutes, Ms. Yip. You can use it all or as little as you'd like.

Jean Yip: Thank you very much.

Ms. Rogers, you talked about the importance of increasing productivity and said that business investment is required. Could you elaborate on that?

Carolyn Rogers: I'll come back to the description I was just using.

If a business can produce more with each hour of labour input it has, it will become more productive. If we do that en masse in the economy, the economy becomes more productive.

Often those improvements take a certain amount of investment, whether it's in training your employees or buying them different equipment. It also can be in our digital economy. It can be on intellectual property. Business investment that helps a business become more productive will help increase overall productivity.

Jean Yip: How will the productivity superdeduction and the SR and ED reforms impact government finances?

Carolyn Rogers: Those are examples of trying to incent businesses to make investments.

Jean Yip: You had a chart in your deck talking about the asset profile. Why has the asset profile declined in recent years?

• (1250)

Carolyn Rogers: When I was talking to Mr. Scheer earlier, he talked about normalizing our balance sheet. Our balance sheet grew during the pandemic. Once we were through the worst part of the pandemic, we started to normalize it back down to its normal level. It's smaller.

Jean Yip: This is my last question. Can you update us on the statutory reserve?

Carolyn Rogers: I'm sorry. Are you talking about...?

Jean Yip: It's the only reserve available to offset losses.

Carolyn Rogers: I see.

Jean Yip: I was just wondering if there is an adequate reserve.

Carolyn Rogers: Normally, the Bank of Canada returns any excess income to the government, and we keep a small portion of equity. I'm assuming that's what you're talking about with the statutory reserve. It hasn't changed, if that's your question.

Jean Yip: We'll leave it at that. Thank you.

The Chair: Thank you very much.

We have votes, so I will thank the Bank of Canada for coming in today. I appreciate you coming back for a second time to help clarify some issues the committee had.

This meeting is adjourned. We'll see you back here on Wednesday. Thank you.

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