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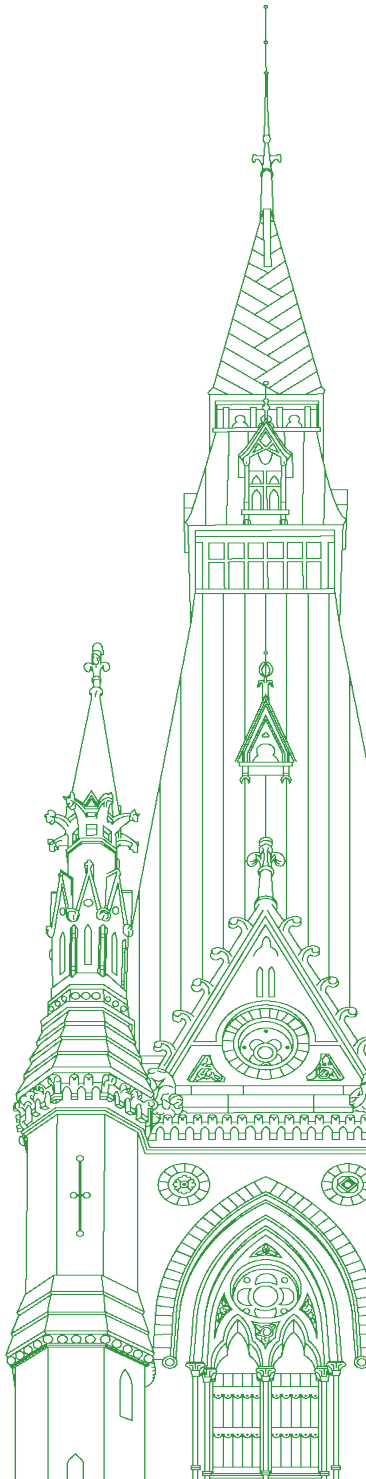
Standing Committee on Public Accounts

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Monday, October 26, 2026



Chair: John Williamson

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● (1540)

[*Translation*]

Jean Yip (Scarborough—Agincourt, Lib.): I call this meeting to order.

[*English*]

Welcome to meeting number 51 of the Standing Committee on Public Accounts. 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.

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

I would like to remind members of the following points.

Please wait until I recognize you by name before speaking. All comments should be addressed through the chair.

I would like to remind witnesses that committee members may ask questions in either French or English. If you will need interpretation, please take a moment now to prepare your earpiece and select the listening channel you need in advance, in order to take full advantage of the time allotted for questions and answers.

I would now like to welcome our witnesses.

We have, as an individual, William Robson, president emeritus, C.D. Howe Institute, by video conference. From the C.D. Howe Institute, we have Nicholas Dahir, research officer, by video conference.

Mr. Robson, the floor is yours for your opening statement.

William Robson (President Emeritus, C.D. Howe Institute, As an Individual): Thank you very much for having us at the meeting today. We hope that our questions and responses will be helpful to you in your work.

We look forward to your questions. To provide some context for our possible responses, we have some opening remarks about the motives and main themes of the C.D. Howe Institute's annual fiscal accountability report card.

At a high level, our report tries to capture in a letter grade the extent to which government budgets, estimates and public accounts help elected representatives and voters understand governments' capacities to deliver services, and how plans and events during a year will enhance or degrade that capacity.

The way we have divided this is that I get to start with some compliments, and my colleague Nick will pick up with some complaints.

On the positive side, I'm glad to say that Canada's senior governments have tended to provide better information over time, thanks to the establishment of public sector accounting standards, the improvement of public sector accounting standards over time and closer adherence to public sector accounting standards over time. The federal government has often led those improvements.

However, gaps remain, and backsliding is a constant threat. We have too many instances of information that is hard to find, obscure or even misleading and late. The federal public accounts generally get good scores in our report card, but we would like the federal government—the most economically important government in the country and the one whose fiscal practices affect all Canadians most strongly—to be at the head of the class.

I will now turn it over to my colleague Nick for some comments on what needs to happen. Thank you.

● (1545)

Nicholas Dahir (Research Officer, C.D. Howe Institute): Thank you, Bill.

It's my duty to go over some of the problems with the federal public accounts.

One problem is timeliness. It is now late October. The 2025-26 fiscal year ended almost seven months ago. Other senior governments have produced their public accounts—some as early as three months after their fiscal year ended. The government is set to present a budget next week. We should have the results for 2025-26 by now.

In the private sector, late financial results are a red flag. Companies listed on Canada's main stock exchanges have to produce their results no more than three months after their year ends. Our securities regulators meet that same timeline.

We should get results while they are fresh and parliamentarians are better positioned to react to any problems they reveal. Faster publication will prompt faster data gathering, which will help the budget planning process and help other organizations, including other senior governments, make their own fiscal plans. We think December 31 is too late a deadline for the production of federal public accounts and would encourage the government to produce them much sooner, ideally by June 30 and no later than September 30.

With respect to the presentation of information in federal public accounts, we do have some criticisms. We think the main presentations should match other presentations that show all pension expenses as part of compensation, rather than having an obscure amortization entry below the highlighted deficit line. We would encourage placement of the main table closer to the front page.

More substantively, we are concerned that changes in the definitive measure of the federal government's capacity to deliver services—its accumulated deficit—which is revealed in the public accounts, are too different from the reported deficit figure and from the deficit prefigured in the annual budget.

These issues are becoming more consequential. Governments face fiscal pressures following the pandemic, trade uncertainty, rising costs associated with an aging population and revenues constrained by slower economic growth. Fiscal concerns are a key reason why government bond yields have been rising recently and adding to these pressures. In this environment, understanding governments' true financial position and the sustainability of their spending commitments is increasingly important.

We would be glad to take your questions on those issues and any other issues related to the public accounts and federal government financial documents that can help you in your work.

Thank you.

The Vice-Chair (Jean Yip): Thank you.

Now, for the first round of six minutes each, we will start off with Mr. Stevenson.

William Stevenson (Yellowhead, CPC): Thank you, Chair.

Thanks to our guests for being here today. It's important that they give us the reality of what we want to know instead of some of the spin that we get from the government spending.

Can either of the guests speak to how the timing of these projections and the fiscal updates are going to create different forecasts for what they're going to change going forward in the future? When you recommend it to Parliament, we can hold ministers accountable for their spending forecasts, but their timing is a bit of a problem for us. I think Nicholas alluded to that in his opening remarks.

William Robson: Nick, since you're muted I'll jump in and say there are a couple of things that might be relevant here.

One of them is the new timing of the budget. If we are on a fall budget cycle, which we commend, I think it's a very good thing to have a budget presented well in advance of the beginning of the fiscal year, which the federal government used to do regularly but has not done regularly. The fact that the budget is now coming in the fall means that you really need the public accounts out before the budget. It's a very tight timeline, and that seems to us to be a problem if the public accounts continue to come as late as they have lately.

The other thing I'll mention quickly, because I'm not sure how central this was to the question, is that we would certainly like to see the estimates presented. Maybe it's hard to do simultaneously with the budget now that it's on a fall cycle, but it would be very good if the estimates themselves were easier to reconcile with the budget and if the process by which they are approved was also a bit more transparent to legislators and the public. That would help parliamentarians keep track of what's going on with the spending side.

● (1550)

William Stevenson: Thank you.

From the accounting and fiscal sustainability perspective, how concerned should we be about the federal debt servicing costs? How would you recommend the government publish cleaner measures for how much tax revenue is being consumed by the interest payments for each year?

William Robson: One of the things that have troubled me over the last few years is that we have been paying attention to the net debt—that's all of the government's liabilities minus its assets—but the cost of servicing the debt is a gross interest number that shows up in the budget. It's comparing apples and oranges when you look at those two things, because the federal government's debt servicing costs are a function of its total debt, not the net debt that you see at the bottom line of the budgets.

What's been happening over the last few years is the government has also been financing a large number of its operations through additions to the asset side of its balance sheet. In other words, they're making loans and advances. They don't show up in the deficit, but that debt does need to be serviced, and the return on those investments, which is not a number that gets much attention, has been quite low relative to the financial assets.

It's very important to pay attention to the total amount of debt, not just the net debt that's at the bottom line of the public accounts and the budgets, because that's what we're paying interest on, and those costs are going up faster than the investment return on the government's financial assets.

William Stevenson: Going a step further, how would you suggest that the government streamline some of the documents that Canadians are seeing to show what is technically in each part and, overall, how that's going to affect the budget, the taxpayer, and how much they're paying? What can we do to streamline it so that we can understand what they're presenting to us?

William Robson: The fact that we have a headline debt servicing cost figure that's a bit disconnected from the bottom line and the net federal debt figure that we're all familiar with is a problem. It would make sense for that to be a great deal more simplified, so that people can make sure that we're comparing the right debt servicing cost to the right debt number.

As I said, what's been driving the divergence between them is that the government is doing so much through its balance sheet. There are expenses that never show up in the budget because they are loans, investments and advances, as they're called, and that is showing up in financial assets.

Parliamentarians do need to pay a lot of attention to what is in those financial assets, because if it turns out that they're not good investments, one day they may be written down, and then we would discover after the fact that those were things that ought to have been shown as budgetary expenses rather than loans.

William Stevenson: I have one quick question to end with. We've been talking about Bill C-40 and moving military spending to an agency. Can you talk about how, basically, from our side of it, we see that moving everything into an agency is really diverting or misrepresenting the full picture?

William Robson: I won't comment on that specific instance, but we do need to pay attention to the things that the government is doing through its financial assets, because some of those things might more appropriately be shown as spending.

The Vice-Chair (Jean Yip): Thank you.

Ms. Tesser Derksen, you have six minutes.

Kristina Tesser Derksen (Milton East—Halton Hills South, Lib.): Thank you, Madam Chair.

Thank you to our guests. Welcome.

You may know that this committee, public accounts, is meant to be a non-partisan committee, much like your institute, and we're always seeking to ensure that taxpayer value for dollar spent is a top priority. We do that often with the assistance of the Auditor General and witnesses like yourself, so thanks for being here.

I want to step back and take a look at the global landscape. There's been a great deal of global interest in Canada and in our strategy in pushing back against the United States and these unjustified tariffs that have been causing so much uncertainty for Canadian families and businesses. There's been a lot of buzz.

I'm going to read one quote. This is from the head of the International Monetary Fund, Kristalina Georgieva, who said:

> [O]ne of these actions is...to reform—modernize the budget framework by doing two things. First, separate operating expenses in the budget from investment—[this allows them] to then focus strategically on investment that [is] progrowth, that can lift up productivity. And then send a signal to companies and to society as a whole that Canada is [focused on growth], we welcome [this] very much.

There's a lot of optimism about the fiscal strategy that the government's engaging in, and I know that your response—I did go back into some media releases and things—might be a little less glowing.

I appreciated the compliments at the beginning, but they were much shorter than the complaints. That being said, it's important that we take all perspectives into consideration so we get the best result for Canadians.

I want to give you an opportunity to respond and maybe provide a bit of a foil for the quote I just read, or perhaps you see some alignments with your research findings in what the IMF head said.

● (1555)

William Robson: The federal government deserves credit, since you mentioned the compliments, for having led the way to an integrated system of financial reporting that we now almost take for granted: the public accounts, the public sector accounting standards that exist and that the federal government adheres to along with the provinces and territories. It's a big step forward. Many other countries would love to have a framework that's as consistent as that.

One of the key elements of that framework is that it treats capital as something that you invest in, and it shows up as an asset on the balance sheet. Then, as it gets used up, you record the expense—its depreciation or amortization—and over time, as it gets used up completely, you run it down to zero, and all of that shows in the regular budget and the public accounts.

As assets get used up, they're shown as expenses. When they are first put in place, they do not show as expenses any more than a household would record buying a house as an expense. It's a very good framework. That's what the public accounts do and that's the main framework for accounting in the budget.

I have never thought that it made sense to have a separate capital framework, because then you're splitting the budget. It's like the bad old days and what many cities still do. You really want to have your operating and your capital budgets integrated, and that's what the federal public accounts do already.

We have a great framework. I don't think it adds a lot to start to count capital in a separate category, because it's all there in the public accounts. It's a very good system for keeping track of how all your physical assets are and what needs running down.

With the federal government investing so much more in capital assets, including in defence over the next little while, I think we should pay attention to that overall bottom line rather than starting to separate the budget and have more than one bottom line.

Nicholas Dahir: I'd like to take the opportunity, because your question, I think, points to something that we focus on, and that is the capacity to deliver services. The PSAS framework and treatment of capital accounting that Bill laid out ensures that the accumulated deficit.... That is, over years, some of the surpluses and deficits reflect the city's capacity to deliver services, and this is what we strongly encourage the governments to make clear to anyone who can read and write and add.

The federal government in particular, along with all governments, looms large in our lives, and it has a very significant effect on where people choose to work, live and invest, so we strongly encourage the governments to adhere to PSAS and the accrual accounting, because it straightforwardly tells you the capacity to deliver services, which is ultimately what investors and consumers will be interested in.

Kristina Tesser Derksen: Thank you for that.

You've touched on a couple of themes that I lived through in my previous life as a municipal councillor. In fact, we did have our budget split into operating and capital, and the capacity to deliver services at the municipal level was something that we were always struggling with, so I appreciate your bringing up those points.

We have talked about debt and spending. Given that there is this ambitious strategic direction that the government's taking to transform the economy and build in some shock resistance, there's some unavoidability of spending large amounts in investment and spending over a long time horizon. I already noted the response from the IMF person, and there are accolades from other G7 countries that I haven't read.

How would you compare the current government's response to the new global economic landscape to that of other G7 nations?

● (1600)

William Robson: Canada is in a very enviable position, as you know, when it comes to its overall fiscal position. That stands out on a world basis.

It's also very good to have the capacity, as we do, for the federal government to make some big capital investments. When I say capital investments, I mean investments in actual infrastructure—things that help us trade, for example, such as ports and airports and other national infrastructure—that are appropriate for the federal government to do.

All of those things are very helpful. It's nice that we are getting recognition for our relatively good fiscal framework. The thing that we need to watch for, going back to a comment that I made earlier, is that the investments really do have to pay off, but not necessarily in a financial sense; they have to make sense for the country. A lot of us would agree that the defence spending is necessary, and the infrastructure that will allow us to trade more with trading partners that we currently would like to do more business with.... All of that is good.

In general, when the federal government invests in—

The Vice-Chair (Jean Yip): Thank you.

[*Translation*]

Mr. Blanchette-Joncas, you have the floor for six minutes.

Maxime Blanchette-Joncas (Rimouski-Neigette—Mitis—Matapédia—Les Basques, BQ): Thank you.

My first question is for you, Mr. Dahir.

In your 2025 report card, you give Quebec a B+ and the federal government a D for the quality of financial information.

In concrete terms, what is easier for elected officials or constituents to check in Quebec's financial documents as opposed to Ottawa's?

[*English*]

Nicholas Dahir: That's a very good question.

We take this approach in our grading from the position of somebody who is not an expert but can read, write and add, and is interested. The criteria we employ in our scorecard, our judgment, are the things that enable a person like that to answer straightforward questions. How much more is the revenue expense than it was last year? How much is it projected to increase? These questions are easier to answer for Quebec, for example, because they don't admit any items from their consolidated expenses like the federal government does.

Another thing about Quebec is that its financial statements have very consistent budget comparisons in the public accounts. You can take a look at the results, you can take a look at the projections that are alongside them, and you can compare those to the actual budget document, and everything lines up. With the federal government, there are far more interruptions and frictions if somebody wants to perform that exercise.

[*Translation*]

Maxime Blanchette-Joncas: Mr. Dahir, would you say—

[*English*]

William Robson: Quebec [*Inaudible—Editor*], I would add—

[*Translation*]

Maxime Blanchette-Joncas: Yes, go ahead.

[*English*]

William Robson: I'm sorry to cut in.

I wanted to say, because I had mentioned the timing of the public accounts, that Quebec produces its numbers faster. Quebec has also been quite good on budget delivery, although not in the latest report card. That's one of the reasons it didn't get an A.

[*Translation*]

Maxime Blanchette-Joncas: The question is for both of you.

Would you say that the example you gave is the biggest failure in our ability to audit how the federal government spends taxpayers' money?

[*English*]

William Robson: I've already mentioned timeliness, but, because it's so important, I will mention it again. The federal government has actually failed to deliver budgets for a couple of fiscal years during this decade, which is an unprecedented fail. It is a straightforward hole in accountability when it comes to parliamentarians and other Canadians being able to monitor what it's doing.

The fact that the federal government is now on a fall budget cycle looks as though it's going to be able to repair that. Again, I apologize for repeating it, but it's worth underlining. We do need to make sure that the public accounts come out on a more timely basis. We want them to continue to have clean audits, and we'd like them to come out in the fall, well ahead of the budget, because, if you have a budget ahead of the public accounts, then you're two years out of sync with what the current data are.

There's a real problem with old numbers. They're just not as exciting. It's harder for parliamentarians to motivate people to pay attention to them, so timeliness is a big deal. As Nick mentioned in his comments, it's a red flag if results are late. We'd like to see the federal government be timelier. Most of the provinces and territories are well ahead of it when it comes to publishing their public accounts.

● (1605)

[*Translation*]

Maxime Blanchette-Joncas: Thank you, Mr. Robson. I'll continue with you.

In Public Accounts of Canada 2025, there's a $6.1-billion increase in federal debt charges. If the federal government reduces its transfers, particularly to fix its public finances, do you think it risks shifting the financial pressure onto the shoulders of Quebec and the provinces, which must continue to provide their services?

[*English*]

William Robson: Anyone who remembers what happened in the 1990s will remember that one of the biggest targets for federal spending cuts when the federal government got into fiscal trouble back then were transfers to other levels of government. A number of provinces found that their budgetary plans were thrown badly out of line by the withdrawal of the federal government support they had built in.

That is a vulnerability that we should remember as we watch the federal government's debt servicing costs grow, because it's, I think, inevitable that, if the federal government starts to feel fiscal pressure along the lines of what we had in the 1990s, it will be transfers to the provinces that will be one of the major areas that they will have to cut. It's not because it's necessarily the first place they want to go but because those transfers are very big and, when you're under a lot of fiscal pressure, you're going to have to cut the big things.

[*Translation*]

Maxime Blanchette-Joncas: I will continue along the same lines.

For example, if Quebec wants to maintain its services but is unable to increase its revenue, it will be under financial pressure because federal government transfers have been reduced. Could this contribute to a lowering of Quebec's credit rating, for example, as we've seen in recent years?

[*English*]

William Robson: I think that the evidence, when you look at credit ratings and how they've changed over time, is that credit raters do, in a sense, put Canadian governments in the same boat. They're not all equally far above the waterline in that boat, but there is a presumption that the federal government's potential support of a provincial government in the event of fiscal pressure does factor into the credit ratings.

Another way of putting it is that the federal government is in many ways the best credit in the country. It's the national sovereign, and it has the central bank, so the provinces' credit ratings and the debt service costs that they pay, the interest rate that they pay, are all going to be benchmarked off the federal government. When the federal government's credit rating improves, everybody's credit rating improves. When the federal government's credit rating deteriorates, everybody's credit rating deteriorates.

The Vice-Chair (Jean Yip): Thank you.

Now for the second round, for five minutes, we start with Mr. Falk.

Ted Falk (Provencher, CPC): Thank you, Madam Chair.

Thank you to our witnesses for coming here today.

Your research has identified problems with the way the federal budgets and estimates are presented, and, in fact, you state that it makes it difficult to reconcile spending.

How difficult do you think it is for the average MP to process the way the estimates and the budgets are presented?

William Robson: It's hard to speak for the average MP, not having been one myself. However, I recall that, back in 2015, there was a platform plank that the estimates were going to be presented simultaneously with the budget and reconciled with the budget. For a fiscal policy nerd, this was terrific news. Many provinces do it. I've never understood why the federal government does not. There are other countries with parliamentary systems similar to ours that do present their estimates at the same time as their budgets and consistently with them. I think that would be a great idea.

I think it is unnecessarily mentally taxing for people to see two sets of figures that are not on the same accounting basis and are not that well reconciled. It really shouldn't be necessary to reconcile them at all.

I would encourage parliamentarians to keep the heat on the federal government, because why not produce the estimates at the same time with the same accounting basis as the rest of the budget, which is consistent with the public accounts? There are many provinces that do it. They present them simultaneously, and they are reconciled. If they can do it, I don't see why the federal government cannot.

Ted Falk: Thank you. You've answered my second question as well, which is about how we could improve the process. I think you've identified that.

It used to be that the federal budgets and estimates were presented on a two-column basis. Either it was revenue or it was spending. This current Liberal government has introduced a third column now, which it calls assets. It's still not really in keeping with GAAP principles. We're missing that fourth page.

Do you think having a three-column presentation is to the public's or parliamentarians' advantage, or is it just to the government's advantage, to cover up some spending?

● (1610)

William Robson: It seems to put two things close together that really ought to be more separate. I can argue either way on that.

You've already heard me say I think it's important for parliamentarians to pay more attention than has been necessary in the past to the overall federal government balance sheet. However, the estimates are quite clearly for the purpose of voting on specific spending items.

If it's a matter of reconciling the estimates to the overall budget so that it's clear how each individual spending item fits into the overall fiscal plan, that's one thing, but if it's presenting information that's not directly germane to the task of approving specific spending items, then I wouldn't be supportive of it.

Ted Falk: The Prime Minister has moved to a three-column system of presenting budgets. Do you think there would be any merit in going to a four-column system, where we would have liabilities and retained earnings, or do you think that would be difficult to achieve at the federal level?

William Robson: I'll speak again in favour of the overall public accounts presentation with the public sector accounting standards that have evolved to date. It gives all of that information. You have the current revenues and the current expenses, and those include the amortization of capital and the current expenses. You also have a reconciliation of the bottom line, with the annual results and what happens to federal government assets and liabilities in the accumulated deficit. It's a very good framework.

What I think would be very nice, which my colleague Nicholas Dahir mentioned, is elevating some of that stuff right up to the front of the public accounts. What we would very much like to see is a similar presentation in budgets—

Ted Falk: I'd like to quickly get one more question in.

It's not easy to identify the debt we hold as a country or to whom we owe the money. Would there be a good reason to start including that?

William Robson: I would be wary of doing that, because it's too common. Sometimes you see this internationally, where people look at the assets of the Canada and Quebec pension plans, for example, and net them against the debts of the federal and provincial governments as though that money were available to help them service their debts. The assets and liabilities that get rolled together when we look at the international set-up aren't necessarily helpful for thinking about the federal government's own situation. You don't want people thinking about the Canada pension plan as an asset of the federal government. It is not.

In general, I think we do a nice job of keeping those things separate. As I have said a couple of times already, I think the current federal reporting through the public accounts is actually at a very high standard. What we ought to be doing is enhancing the profile of that and not mixing it up with other things.

The Vice-Chair (Jean Yip): Thank you.

We'll go to Mr. Osborne for five minutes.

Tom Osborne (Cape Spear—Mount Pearl—Paradise, Lib.): Thank you.

I thank you for being here. I think your presence here is important.

There are a couple of things I wanted to touch on. You talked about the importance of Canada's credit rating and how that is connected to the provinces. We have the strongest credit rating in the world when you look at the other G7 countries.

Going back to your comment about how important the national credit rating is, can you speak to the fact that we have the strongest credit rating in the world?

William Robson: It's a very great asset for us, and it's one we should be preserving. I only wish it could protect us better from what is happening to global interest rates as a result of the fiscal problems, particularly in the United States, as well as some of the things we are seeing in Europe. The other major sovereign debtors have fiscal problems that, in many ways, are worse than ours. Even when we are better than they are, it is still raising the overall level of interest rates around the world.

We protect ourselves with our past good behaviour, and we should be mindful of that.

I've mentioned already—and perhaps it's worth going back to quickly—that the cost of servicing the federal government's gross debt is what is affecting us when it comes to the expenses we have to make as we roll the debt over and we pay debt servicing charges on it. It would be a good idea for us to limit that vulnerability by not piling up so much debt. That would leave us in an even better relative position, which is very much something to be wished for, especially if interest rates are going up around the world.

● (1615)

Tom Osborne: Looking at that, and I do want to go back to the reporting on public accounts, some of the folks—the former PBO, for example, and Bloomberg and others—talk about the importance of what Canada is doing right now. I think one of them said gambling on itself and building big projects. You talked a bit earlier about the projects that will allow us to get our products to the global market and that build the economy.

Isn't it important at this stage, with the geopolitical uncertainty and the trade uncertainty, to actually take the position that Canada is taking and invest big in these projects, which does cost money? We have the fiscal capacity to do that, perhaps better than anybody in the world, based on our credit rating.

William Robson: It's a very good instinct to do the things that you've just been mentioning. We want to build up our infrastructure. We want to build up our defence capacity.

My criticism of the federal government's fiscal course recently is that it hasn't faced some of the trade-offs as squarely as it might have. If you're giving gas tax holidays, for example, or GST holidays, it's sending quite a different message about what you're using your fiscal capacity for. Rather than enhancing your ability to trade with the rest of the world and internally, and rather than enhancing your security, you're encouraging consumption in the day.

That's the difficulty I have. It's not with the increased focus on capital and infrastructure, which I think is entirely appropriate. It's not with some of the steps that have been taken to enhance private sector investment. It's that we haven't faced squarely up to the idea that you really do have to make more choices and maybe keep the federal government's operating expenses better under control, for example, as you're making these big investments on the infrastructure side.

Tom Osborne: I appreciate that comment as well, but I just want to maybe challenge a little, if that's the right word. I know we shouldn't challenge witnesses.

In terms of the tax holidays and so on, while we are waiting for Canada's economy to strengthen and to take advantage of these generational investments, isn't it also wise, in a time of geopolitical uncertainty, with the cost of groceries, gasoline and other goods as a result of the war in the Strait of Hormuz, to provide some relief to citizens as well? Without that, the economy slows.

William Robson: I understand the impulse to do it, but I think it's a problem to make policy in that way. This is because some of those things are very hard to sustain, but they're also politically very hard to unwind, as we just saw with the extension of the gas tax holiday. I think that it's possible for the federal government to make an even stronger case than it's been doing.

It's been making a strong case that we need to make the real investments: the investments in infrastructure, the investments in trade-oriented infrastructure, and encouraging major projects to go ahead, for example. I think it's possible to make that case and at the same time be a bit more disciplined when it comes to some of the transfer payments and some of the operating costs, because that's how you preserve your fiscal advantage.

I am concerned that the federal government—

Jean Yip: Thank you.

[*Translation*]

Mr. Blanchette-Joncas, you have the floor for two and a half minutes.

Maxime Blanchette-Joncas: Thank you.

Mr. Dahir, in your analysis, do the federal documents clearly distinguish between the discrepancies in the initial budget due to government decisions and those resulting from economic changes or accounting adjustments?

[*English*]

Nicholas Dahir: Ideally, from a transparency perspective, what we ask for is that the numbers that appeared in the original budget document appear alongside the results at the end of the year. I will also note the government's move to a fall budget does leave some question about what the 2026 public accounts will compare to.

However, your question is on in-year changes. Many governments simply restate the budget projections due to the events that happen during the year, but it's much better when governments present a reconciliation of these restatements, again, all drawing back to the original budget documents. When restatements happen in between actual documents, it represents a very significant barrier for our conceptual non-expert reader in assessing the fiscal story of the government for the year.

● (1620)

[*Translation*]

Maxime Blanchette-Joncas: I understand. Thank you.

Mr. Robson, I'll continue the discussion with you.

You recommended that the public accounts be published no later than September 30. Should the committee recommend enshrining that timeline in legislation so that parliamentarians can review the results and so on before the budget is tabled in November?

[*English*]

William Robson: I think the federal government should move its legislated deadline for presenting the public accounts up from the end of the year. As my colleague mentioned, it's a very difficult undertaking—that's understood—for the federal government to produce these numbers. It's a large, complex organization, but as I said already, many provinces and territories are able to get their public accounts many months earlier than the federal government does. Although they might appear simple from a federal perspective, they are quite complex in their own eyes, and they don't have the same resources that the federal government does to draw the numbers together.

I think that would make a lot of sense. I think it would enable the public accounts committee to look at the numbers while they are still fresh and address some of the things, including the potential discrepancies you addressed with your earlier question to Nick, and the public accounts committee would find that its work had more traction.

The Vice-Chair (Jean Yip): Thank you.

Welcome back, Mr. McCauley.

Kelly McCauley (Edmonton West, CPC): Thank you, Chair.

Mr. Robson, it's nice to see you. Thanks for appearing today.

On your fiscal accountability report card, you gave the federal government a D last year. Where do you think we are going? Are things getting better or worse for accountability, according to your report?

William Robson: Well, the federal government has not shone on that report card lately with the failure to present budgets in a couple of years, essentially guaranteeing a failing grade. We mark the budget presentation quite heavily. If there isn't a budget, there's nothing to give anything other than a zero to.

The move to a fall budget cycle will make a big difference. A budget that's presented several months before the beginning of the fiscal year is much better for accountability. The federal government's marks are likely to improve in that respect. One thing we would also like to see, prefigured in answers to other questions, is better alignment between the estimates and the fiscal framework. We would also like to see some tidying up of the way the federal government presents a few items.

In general, I'll go back to what I said earlier about the federal government having historically been a leader in improving financial presentations. It would be very nice to see the federal government back at the top of the class.

Kelly McCauley: Right now it's not, though. It's near the bottom.

Is that yes, no...?

William Robson: Oh, yes. Well, you have the report in front of you from last year. The federal government's effective failure to produce a budget for the fiscal year that we're now in is also a major mark against it. There will be some bad marks for the federal government in this report going forward. As I say, the new budget cycle will be an improvement, but that won't show up in the report card until the iteration after this. We always look at the most recent budget round and the public accounts that are out already.

The federal government does have some room to improve.

Kelly McCauley: I'm glad you brought up the 2015 issue. We actually studied this. The Treasury Board president at the time said that to align the budget with the estimates would be a waste of time and be busywork for MPs, and it would be too difficult to make bureaucrats work over vacation time. I'm glad we've seen some change.

I want to bring up your concern in your report card on public accounts about the discount rate for how they're doing the funded portion of the public service pension plan. It's an issue I've been at for about 15 years now. What do you think of the government's using such a high discount rate for the funded portion but just the lower standard rates for the unfinanced portion of the pension?

● (1625)

William Robson: It's a bit of a problem for any pension plan in the public sector or the private sector to discount its liabilities at an assumed rate of return. That is at the root of this problem with the federal government's pension accounting. It's one of the reasons that year after year we have had a negative figure, adding to the accumulated deficit below the bottom line. The liabilities were originally discounted at a high rate, so as they come closer to actually becoming cash payments, you then discount them at the government bond rate. Suddenly the amount you had in the past isn't enough.

I would very much encourage a further cleaning up of that item. It's very opaque. I doubt that many in the room are as seized with it as I am, but it affects the MPs' pension plan as well. I mean, all these liabilities ought to be shown at the interest rate at which the federal government borrows from everybody—

Kelly McCauley: If I can interrupt, if the government showed it at the real bond rate instead of what I believe is an artificially high discount rate, how much would that add to our projected debt numbers?

William Robson: I do not have a current estimate of that, but it's in the tens of billions of dollars. It's a substantial amount.

Kelly McCauley: Do you think Canadians are served by having this show so high?

One of the reasons I bring this up is that I recall a report that was being done on PSAB. Treasury Board justified using an artificially high discount rate because—this was their comment—they have high returns because they take higher risks in their investments, but they can take higher risks because taxpayers are on the hook for their guaranteed pension payouts. Does that kind of attitude concern you?

William Robson: Well, it's very asymmetrical that the employees would get the upside but the taxpayer would get the downside.

It's a tough area. I would much prefer to see, since you're asking the question about the pensions, better current compensation for federal employees, including MPs, and then a pension plan that was less opaque, perhaps even a group RRSP.

Kelly McCauley: Thank you again, Mr. Robson. I appreciate it.

The Vice-Chair (Jean Yip): Thank you.

Now we'll go to Mr. McKinnon for five minutes.

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

In the opening remarks, there was discussion about making the estimates easier to reconcile with the budget. Of course, in later discussion, we've heard that you'd like to see the estimates released simultaneously with the budget. Is that appropriate? Can you tell me what the chief challenges would be in doing that?

William Robson: Perhaps it would be interesting to get Scott Brison to appear in front of the committee to talk about why his ambition to make that happen did not come to fruition.

I frankly don't understand why it was so difficult as to be effectively impossible. I've already said that many governments in Canada do it. In the Atlantic region, it's typical practice to release the estimates simultaneously with the budget.

Of course, at some point, you're going to have to reconcile them. The phrase “busywork” for bureaucrats was mentioned earlier. At some point, you're going to have to do the reconciliation, because you have to have everything consistent with the public accounts. I don't see why it's harder at the time than it is after the fact.

I've frankly never understood the reasons why the federal government could not do that, because, as I've said already, we have provinces that do it. There are governments elsewhere in the world with parliamentary systems similar to ours that do it. I think it's a practical possibility, and it's partly just a matter of MPs saying, “Give us numbers that are easier to understand, because it makes it easier for us to do our job.”

Ron McKinnon: What would be the first step we'd have to take if we wanted to achieve that?

William Robson: Well, the reconciliation of the estimates to the fiscal plan is a task that the federal government already performs, but it could be done in a much simpler way, because what you want to do when you're voting a dollar of spending is to understand if it is consistent or not with the overall fiscal framework, and there are ways of presenting that information that are quite a bit clearer.

I hedged a bit on the question of doing it simultaneously. If the budgets are going to continue to appear in, say, November of the year before the fiscal year starts, then you can argue that the estimates can't be presented simultaneously, but I would still say that they ought to be presented in a way that makes it very clear to parliamentarians whether or not, if they vote for a particular appropriation, it is consistent with the fiscal plan.

● (1630)

Ron McKinnon: We've also heard that you'd like to see the public accounts tabled by June 30. Is this a related kind of problem? Would having these estimates and budgets be simultaneous in any way facilitate that?

William Robson: There's no direct connection between the two. The recommendation to publish the public accounts earlier is partly a matter of accountability. You're serving up the meal hot rather than cold. It's more appetizing for people to dig into.

Also, as Nick said already, it encourages the faster gathering of the information. Some of these mechanical tasks are tedious for people. If there's no particular push on them to do it, they may let the summer vacation get in the way, but it has to be done sooner or later, and documenting what you've been doing usually doesn't get any easier with the passage of time.

I think it would, actually, in the long run, prove to be simpler. Federal government representatives can talk to their counterparts in Alberta and Saskatchewan, say, which are very timely with their public accounts, and ask if it is actually harder to do it quickly. I think the answer would be, “No, it's easier.”

Ron McKinnon: I'm coming at this as a computer programmer, not as an accountant. You can probably tell that.

There was discussion earlier about the difference between net debt and total debt. Maybe you could walk me through that and through problems with debt servicing.

William Robson: The total debt of the federal government, if you look at the projections in the latest update in the spring economic update.... I'll be looking very carefully when the next budget comes out to see what the projections are. The gross debt is now, as you look into the out years, projected to rise above $3 trillion. That is a lot higher than the net debt figure that is the headline figure in budgets and in the public accounts, because it is the gross amount, and there are a lot of financial assets that the federal government is building up over time.

If you look at the financing requirement lately and in the projections, it's a lot bigger than the deficit. The reason is that they're borrowing in order to accumulate these financial assets through Crown corporations and so on.

The concern that I have is about the value of those assets. Is every dollar that's shown as a federal financial asset really a dollar that ought to be shown on the balance sheet? If some of these loans are being made at concessional rates, or if some of the loans are being made to entities that are going to have trouble repaying them, then we ought to be showing that as expense. It ought to be showing in the deficit. It ought to be showing in the regular debt number.

We do want to pay attention to what's going on with the federal balance sheet.

You said yourself that—

The Vice-Chair (Jean Yip): Thank you.

William Robson: Yes, I'll stop.

The Vice-Chair (Jean Yip): Thank you.

For the final round, we have Mr. Stevenson for five minutes.

William Stevenson: Thank you.

In your discussions here about timeliness and lining things up, maybe you can clarify this. When we look at this, next week we're supposed to have the budget that says 2026-27. If that's really the budget, in November 2026, we're already more than halfway through. To me, your budgeting should be for the future that you're going to be lining up, so that when you have your budget for the end of the year....

Can you square that circle for me as to how this is going to improve our transparency? We've already spent eight months of it by the time we get through this, or seven and a half months, anyway.

William Robson: If I may, Nick, I'll jump in on this one.

I appreciate the opportunity to clarify something that we perhaps weren't clear about. In fact, what we are saying is that, de facto, the fall budget that we're about to receive is the budget that's for the upcoming fiscal year, not the one that we're already in.

If it's treated as the budget for the fiscal year we are already in, I completely agree with what you've said about the problem that creates. We are already most of the way through the fiscal year. The commitments have been made, and it is much too late to be presenting a budget for the 2026-27 fiscal year when you're this late in 2026.

I'll just recap and say that we are treating the budget that's going to happen in November as the budget for the upcoming fiscal year that will begin on April 1 of next year. That's a good fiscal accountability cycle. It is inappropriate to call it a budget for the current fiscal year. That ought to have happened much before now.

William Stevenson: Thank you. That does help the clarity.

Can you comment on one other thing that I tend to get a lot of questions about from my constituents? They'll say that we had a budget in November, yet in January, March or June following that budget, we have billions of unaccounted-for budget amounts and announcements that come out. They'll say they're going to spend another few billion on this and a few billion on that, yet they're not actually in the budget. Then they have to be accounted for when they do spend the money in future programs.

Can you explain to us at the committee how that really affects our transparency and the clarity of the actual financial numbers?

● (1635)

William Robson: It's a great concern. I alluded to it very quickly earlier.

In my mind, the federal government's projections for spending and borrowing in successive budgets and in economic or fiscal updates have not proved to be very reliable. This cycle of making announcements in between times is a problem. I would argue that, in fact, the habit of making fiscal updates, mini budgets with important tax changes and so on, is equally a problem.

In the U.K. recently, the government has been floating the idea—we'll see how well they stick to it—of ensuring that the annual budget is the budget that is the key fiscal document in which all major tax changes and program changes occur.

I think that would be a very good thing to do. It would make Parliament's oversight role easier. I think it would also insulate us from temptations to make these ad hoc announcements, which, on the whole, have tended to be unhelpful to the bottom line. It would be much better to have the whole thing wrapped up in an annual budget cycle that Parliament could consider properly and have fewer announcements of major spending programs and major tax changes that are done by announcements, press releases and so on.

William Stevenson: I agree that it would be good, theoretically, but how do we, as the opposition or even the rest of the government, come up with a structure that actually enforces following those kinds of rules, so that they don't completely change what the numbers will actually be with these ad hoc announcements?

Nicholas Dahir: If I can jump in here, I'll bring this back to the point on the main estimates. One of the advantages of simultaneously presenting the main estimates and the budget and having them reconcile with each other is that there is no outside information. Right from there, any additional announcement would automatically be in supplementary estimates.

Having such a grey zone between those two dates can muddy the waters even more for somebody wanting to track those down. Just on the main estimates side, that would be one suggestion.

The Vice-Chair (Jean Yip): Thank you.

[*Translation*]

Mr. Gobeil, you have the floor for five minutes.

Daniel Gobeil (Chicoutimi—Le Fjord, Lib.): Thank you both for your remarks.

You talk a lot about reporting timelines. Since I'm a new member of the committee, can you tell me what the difference is between the way the federal government and the provinces work when it comes to public accounts and deadlines? You're comparing the different timelines. Could you explain to me a little bit about the difference between the two levels of government when it comes to this work?

[*English*]

William Robson: The point I made earlier was that the federal government is a more complex organization in many ways, but it also has greater resources, so I'm not clear why the federal government could not produce some of its documents faster.

On the link with provincial finances, I have two related points. One is that we want the federal government to present its budget in a timely way because the transfer payments it makes to other levels of government are very important in their budgeting processes. In a situation such as happened repeatedly over the past decade, where a province would produce its budget ahead of its fiscal year, ahead of April 1, but the federal government would produce its budget after April 1, you had situations where the province might find it was counting on revenues that were going to be different from what the federal government reveals it would have.

The other point is something we touched on, that faster production of the numbers means faster gathering of the data. The federal government's estimates, for example, of tax revenue that it shares with the provinces that it has tax-sharing agreements with, are other important things where the faster gathering of information could assist other levels of government.

● (1640)

[*Translation*]

Daniel Gobeil: Thank you.

You talked about transfers to the provinces, but a number of my colleagues have talked about the government's favourable position in terms of the current economic snapshot and the importance of making profitable investments. You talked about airports, ports and all the projects that can generate revenue for the government.

When it comes to these types of cost-effective projects, how important is it for the territories and provinces to work together on planning?

[*English*]

William Robson: The high yield from good investments in infrastructure is one that is largely indirect to the governments. They don't necessarily yield revenue directly, but if they are supporting more vibrant international trade, stronger internal trade and projects that would otherwise not have gone ahead, then the economy grows, people's incomes grow and government revenue benefits from that. It's very much to be wished for.

The concern I have—and I'll be very quick, because I might not be addressing your question directly—is that if the federal government does come under fiscal pressure, which can sometimes result from the fact that these transfer payments are flowing rather generously, the transfer payments to other levels of government have historically been a vulnerability when the federal government retrenches.

One of the reasons I would like to see them on a more sustainable fiscal track right now is that it means provinces can count on the supports they're getting, for health care particularly, into the more distant future in a way that they cannot if the federal government gets into fiscal trouble.

[*Translation*]

Daniel Gobeil: I'd like to ask you one last question.

We're talking about investments, but we know all the economic instability currently affecting the various traditional partners. Are periods of instability like the one we're experiencing right now not, in fact, a good time for the government to invest in economic infrastructure to generate additional revenue? I would like you to tell us about the opportunity in front of us at this time.

[*English*]

William Robson: I'll be quick, because the list is potentially very long. In addition to the comments that we have been making about infrastructure that supports external trade, I will emphasize that there is a lot of opportunity for us to support ourselves in Canada by liberalizing internal trade.

It's a tough file, because many of the things that need doing are small-looking regulatory differences. It's not very exciting to address them. In fact, it can be very tedious to address them, and every barrier has its own justifications and vested interests. Some of the estimates of how big a boost to GDP we can get by knocking down internal trade barriers are probably a little ambitious, but there's a lot to be done there. Of course, we're not dependent on anyone other than ourselves to reap some of those benefits, so that's a good investment.

Jean Yip: Thank you.

[*Translation*]

Mr. Blanchette-Joncas, you have the floor for two and a half minutes.

Maxime Blanchette-Joncas: Thank you.

Mr. Robson, in his analysis of Public Accounts of Canada 2025, the Parliamentary Budget Officer excluded the investment category, which represented $94 billion. Over six fiscal years, that's about 30% of the money. Therefore, according to his definition of the operating budget, the government's accounts remain in deficit. I'm trying to see if there was an attempt to doctor the budget presentation a bit to give the government a positive image of returning to a balanced operating budget.

In your opinion, is that the case?

[*English*]

William Robson: It is hard to look into someone else's mind, but I do not agree with some of the overlays that we are now having with respect to capital spending.

At the risk of repetition, I'll say that the way the public accounting standards currently followed in Canada handle capital makes all kinds of sense. The federal government has adhered to it over the years. The Auditor General has given a clean opinion on the federal government's public accounts for those reasons. I think it makes a lot of sense to just continue to use that framework, because it's the one that, as my colleague emphasized already, is most consciously directed to figuring out what the government's capacity is to deliver services. Is it improving, or is it not improving? To have a separate budget for capital that adds and subtracts things that the public accounts already integrate so well seems to me to be a distraction.

● (1645)

[*Translation*]

Maxime Blanchette-Joncas: Mr. Robson, in your opinion, what indicators should parliamentarians prioritize to judge whether public finances are improving?

[*English*]

William Robson: Certainly, if the Auditor General did not give a clean opinion, that would be a red flag. Happily, that has not currently been the case, and I hope it continues not to be the case.

One of the things I think the public accounts committee can do—and it's one of the reasons I favour timelier publication—is look at what the differences are between the budget projections and the bottom line on the public accounts, and also, relatedly, whether the government's accumulated deficit rose or fell by the same amount that you would expect when you see the bottom line. There are two potential gaps there. The projections could be wrong, or there could be restatements that happen at the end of the fiscal year, but they both amount to the same thing. They are gaps. They are wedges between what parliamentarians can control ahead of time and what the actual result is. I think that's very good work for the public accounts committee to do, to look at those two gaps.

Jean Yip: Thank you.

Thank you to our witnesses for their testimony and participation in relation to the study of the Public Accounts of Canada 2024 and the Public Accounts of Canada 2025.

We will now suspend the meeting to go in camera for the consideration of draft reports.

[*Proceedings continue in camera*]

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