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# Standing Committee on Finance

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Chair: Karina Gould





## Standing Committee on Finance

Monday, April 27, 2026

• (1620)

[*English*]

**The Chair (The Honourable Karina Gould (Burlington, Lib.)):** Welcome to meeting number 36 of the House of Commons Standing Committee on Finance.

Today's meeting is taking place in a hybrid format, pursuant to the Standing Orders.

Before we continue, I'll ask all in-person participants to consult the guidelines written on the cards on the table. These measures are in place to help prevent audio feedback incidents and to protect the health and safety of all participants, including the interpreters.

I would like to remind participants of the following points.

Please wait until I recognize you by name before speaking. For those participating via video conference, click on the microphone icon to activate your mic, and please mute yourself when you are not speaking.

For those on Zoom, at the bottom of your screen, you can select the appropriate channel for interpretation: floor, English or French. For those in the room, you can use the earpiece and select the desired channel.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Monday, March 9, the committee is commencing its study of federal spending power.

I would like to welcome our witnesses.

As individuals, we have Jennifer Robson, associate professor at Carleton University, and Tammy Schirle, professor in the department of economics at Wilfrid Laurier University. From the Montreal Economic Institute, we have Daniel Dufort, president and chief executive officer, and Gabriel Giguère, senior policy analyst.

We will commence with you, Ms. Robson. Every witness has five minutes.

Thank you.

**Jennifer Robson (Associate Professor, Carleton University, As an Individual):** Thank you so much.

Good afternoon. I'm delighted to be here this afternoon.

I'm going to apologize in advance. Unfortunately, I'm unable to use the simultaneous interpretation, as the earpiece connection doesn't seem to be working on this particular unit. Maybe that's something for capital spending. It's just a suggestion.

I'm an associate professor of political management at Carleton University—

**The Chair:** Ms. Robson, after you provide your opening remarks, we'll ask someone from IT to either fix that or move you over—

**Jennifer Robson:** No worries. I'm happy to manage without. That's fine. Thank you, though.

**The Chair:** Are you fluently bilingual?

**Jennifer Robson:** Yes. I'll be able to understand, for sure.

**The Chair:** Okay.

**Jennifer Robson:** I have a few affiliations to get out of the way first. As you know, I'm a professor at Carleton University. I'm co-editor of the *Finances of the Nation* feature in the *Canadian Tax Journal*, and I'm a member of the editorial boards of *Canadian Public Policy* and *Canadian Public Administration*. I'm published in some areas of federal spending, tax and transfer policy, and I should also disclose that, many years ago, I was an adviser in the intergovernmental affairs portfolio. My employer, of course, would like me to remind you that I'm here today as an individual and that my testimony reflects only my own views.

As you begin this study, I'll make a couple of comments that I would like to share with you for your consideration.

First, Canada is a federation and has generally demonstrated a very flexible approach with areas of effective responsibility shifting over time, sometimes towards greater decentralization, such as workforce development and immigration programs, and at other times towards greater centralization, such as income security and environmental protection. By international standards, Canada remains one of the more decentralized federations in the world. This may seem like an anodyne statement to begin with for this study, but I think that the study of spending power should always be grounded in the question of “spending power to do what?” in a federation.

Federal and provincial governments maintain separate and independent powers to raise revenues. Of course, spending has to come from somewhere. However, Canadians benefit substantially from efficiency gains in intergovernmental collaboration on the collection of income taxes, taxes that provide an important revenue source for public spending. I don't want to dwell too long on the question of fiscal capacity within the federation, but I do want to note that, while the federal government's annual income tax revenues exceed those of all provinces combined, when we look at total revenue sources for all the provinces combined, total combined provincial revenues from all sources exceed those of the federal government, whether we look at nominal dollars, real per capita dollars or percentage of GDP.

Federal and provincial legislatures also maintain separate powers to spend money and to attach conditions for recipients of that spending. With regard to the federal spending power, the focus of the committee's study today, there are competing arguments regarding the scope or limits of that power. Courts in Canada, provincial and national, have recognized the legitimacy of a federal spending power, including the right of this Parliament to impose conditions on spending so long as those conditions do not amount to the regulation of an area of policy in provincial jurisdiction. I suggest that this limitation requires the conditions not to be so directive as to amount to a regulatory intent in pith or in substance and that the recipient jurisdiction can voluntarily agree to the conditions, making them a shared policy aim of two independent orders of government in the federation.

I'd like to close with three brief observations for consideration by the committee in this study.

First, the last decade has seen an important increase in the share of federal funding flowing through transfers outside of transfers to persons and outside of the major block transfers to provinces, territories and municipalities. These other transfers are the grants and contributions programs most likely to impose conditions on the recipients—at times, I would say, stretching reasonable interpretations of the federal spending power of this Parliament. When those conditions are excessive and overly directive, and particularly when they attempt to leverage provincial or municipal policy changes unrelated or only tangentially related to the stated purpose of the federal allocation in Parliament, I would suggest that they are—and rightly so—open to challenge by provinces. However, I would emphasize that even when problematic conditions do exist, this Parliament has continued to approve supply. Issues in the federal spending power are not simply a question of executive overreach. Parliament has power to exercise.

Second, aims to buy or nudge subnational policy change, however well intentioned—whether on provincially regulated early learning and child care or in rates of municipal housing approvals—are likely to be a source of strain on the fabric of the federation. From my own research and analysis, they may not be effective over the longer term unless it is policy change that the province is already prepared and interested in making. Recall that federal shares of conditional contributions—

• (1625)

**The Chair:** Ms. Robson, can you conclude rapidly?

**Jennifer Robson:** Absolutely.

Finally, I will note that the secrets to success in Canadian federalism are co-operation, mutual respect across jurisdictional boundaries and partnerships in the interests of our fellow citizens. As the committee considers testimony and evidence for the study, I would urge you to consider the overall worrisome environment that we find ourselves in as a country and to look for opportunities to strengthen intergovernmental agreement in the federation.

**The Chair:** Thank you, Ms. Robson. I'm going to have to complete it there.

We're going to continue with Ms. Schirle, please, for five minutes.

**Tammy Schirle (Professor, Department of Economics, Wilfrid Laurier University, As an Individual):** Thank you, Madam Chair, for inviting me to appear before the committee.

Regarding federal spending power, I know there are many legal scholars and political scientists with much to say. However, I am neither of those. I am a professor of economics at Wilfrid Laurier University. My research has focused on Canadian labour markets and public policy, with an emphasis on retirement pension policy and understanding how men and women move differently through our labour markets.

From that perspective, I will present my general thoughts on when it appears best to use federal spending power. To fix ideas, I will focus on Canadians' need for early learning and child care services.

First, I question whether there is a problem common across provinces that cannot be solved by allowing the markets to operate freely. Here, I'm primarily looking for what economists call a market failure, which is really about identifying situations in which something is preventing the market from operating efficiently. Consequently, some resources are being wasted instead of making Canadians better off.

The market for early learning and child care services is a market that suffers from such failures. In this market, the most significant cause of market failure is information asymmetry. Put simply, parents are unable to fully observe the quality of care a child receives while they are not present, which ultimately leads to an excessive supply of lower-quality care in a free market. Credit constraints, which reflect parents' inability to borrow money to pay for care, are a second cause of market failure. As well, there are significant long-term benefits to children and society as a whole that individual parents may not consider in their decision-making, which leads to underinvestment in these services. For more details on that market, I recommend reading Elizabeth Dhuey's work published in *Canadian Public Policy* in 2024.

These market failures are common across provinces, and we have seen opportunities for provinces to learn from one another in designing policy for early learning and child care services. As you know, Quebec was a leader in developing affordable child care policies, from which we learned about the impact on local labour markets and the importance of managing quality of care when facing high demand for services. We continue to learn from Quebec's early experiences. Recent research has shown the importance of child care in reducing the career costs of motherhood and even grandmotherhood.

A second factor I consider when judging federal spending is whether policy has the potential to reduce frictions across regional markets. In the context of early learning and child care, one could think of the average mom deciding on whether to take a job in another region and facing the constraints associated with her need for child care. Is it available, affordable and of high quality? By having some national standards and programs, we might improve how families flow across markets, as well as women's ability to remain attached to the labour force in the long term. There's a nice parallel with the benefits of having the Canada pension plan. A family may be thinking ahead to retirement. One of the Canada pension plan's best features is its portability between jobs anywhere across the country, making it easier to make a big career move.

A third factor I consider when judging federal spending is the size of benefits that accrue to Canadians over time. This may be referred to as the marginal value of public funds. To fix ideas, we might think of a young woman who is graduating high school in Antigonish. She might want to come to Waterloo to study engineering, with the potential for working in Calgary or Montreal and then returning to Fredericton for retirement. Along the way, she'll become a mother, but her career plans will be affected by the availability of affordable, high-quality care and education for her child. Expecting to find the services she needs, she can comfortably go ahead with her plan.

Empirically, the benefits of such programs have proven sizable. Children receive high-quality care, and women can find greater continuity in their careers, ultimately earning more while children are young and over their lifetimes—and even relying less on grandparents' earlier-than-optimal retirement in order to care for their grandchildren. That better career leads to a better pension and less reliance on programs that support low-income seniors. Despite the short-term costs involved in a specific province, the benefits accrue over the course of many decades and, potentially, across many provinces.

To summarize, I see three important questions to ask regarding the use of federal spending power.

First, are there market failures shared by provinces that we can help manage?

Second, is there potential for the policy to reduce frictions across markets?

Third, what are the full benefits of a policy over time and across provinces?

With that, I thank you for your attention and would welcome questions from the committee.

• (1630)

**The Chair:** Thank you very much, Ms. Schirle.

[*Translation*]

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

**Daniel Dufort (President and Chief Executive Officer, Montreal Economic Institute):** Thank you, Madam Chair and members of the committee, for having us.

We are here to give you an appraisal of the current situation from a more economic than constitutional standpoint and to propose solutions to reduce deficits, slow debt growth and grow the Canadian economy.

The current budgetary challenge is first and foremost a spending problem, and the solution lies in disciplined program spending, a systematic review of government missions, including spending in provincial jurisdictions and reforms that reward investment, entrepreneurship and productivity.

I have some data here that show the scope of the problem.

The deficit announced for this year is \$78.3 billion, a \$30 billion increase from the previous year. In addition, the amount of debt servicing currently stands at \$55.6 billion, and it is projected to rise to \$76.1 billion by 2030. In other words, the federal government's budgetary flexibility is shrinking before our very eyes.

A recent economic note from the Montreal Economic Institute, prepared by economist Trevor Tombe, reminds us of a simple reality: even without new initiatives, federal spending is growing faster than federal revenues. Over the next few years, federal revenues are expected to increase by about 3.8% per year, while several spending items will increase at a larger rate. Without corrective measures, we're looking at a \$117 billion deficit by 2035.

Some of the pressures going forward are already known. We can think of military defence spending, which is expected to increase to 3.5% of GDP by 2035, which will require a very rapid increase. The same is true for benefits paid to seniors, which are increasing rapidly as a result of the aging population.

At the same time, there are budget concerns associated with costly federal programs that encroach on provincial jurisdictions. We can think of the Canadian dental care regime, which is expected to cost \$13 billion over five years, and \$4.4 billion after that, as well as federal pharmacare, with additional public costs estimated over time to be \$13.4 billion. The idea is not to deny the need, but to avoid duplicating structures and funding the same thing twice. In short, it's a matter of respecting provincial jurisdictions.

A review of the federal government's approach to spending in areas of provincial jurisdiction would be advisable, since more needs to be done to properly fund areas that fall under the federal government's primary missions, such as defence.

I'll just conclude by saying that if we want to preserve essential public services and the government's ability to act, we need to get spending under control, review the size and efficiency of the federal government and remove barriers to investment and productivity.

Thank you very much.

**The Chair:** Thank you very much, Mr. Dufort.

[*English*]

We'll commence now with Mr. Kelly for six minutes, please.

**Pat Kelly (Calgary Crowfoot, CPC):** Monsieur Dufort, we're studying the power and use of federal spending. Today we had an announcement by the federal government, which has found a new avenue and a new way to exercise its powers with a \$25-billion so-called sovereign wealth fund. Wealth funds are normally from government surpluses—not borrowed money that is added to deficits. Do you have any comments on this new use of federal spending power?

• (1635)

[*Translation*]

**Daniel Dufort:** The whole idea of a sovereign wealth fund is to reinvest surpluses, but our federal government has been running deficits for about 18 years. The first condition doesn't seem to be met.

Second, it looks like the sort of economic policy we've seen in the past with the Canada Infrastructure Bank. It was a bad economic policy 10 years ago and it's still a bad economic policy today.

[*English*]

The idea behind a sovereign wealth fund is to reinvest surpluses. The federal government is running deficits, so this first condition does not appear to be met. This is very familiar; it looks like the kind of economic policy we saw 10 years ago under the Trudeau government with the Canada Infrastructure Bank. It was bad economic policy 10 years ago under Prime Minister Trudeau—

**Pat Kelly:** Just to jump in, has the federal infrastructure bank, in your view, been a failed policy? Is that fair to say?

**Daniel Dufort:** It would not appear to have capitalized private investments in a way that would—

**Pat Kelly:** Okay. It failed to achieve what it set out to achieve. It absorbed cash that was spent on salaries and administration, without delivering projects. Is that a fair assessment?

**Daniel Dufort:** It would appear to be so.

**Pat Kelly:** Okay.

However, this new fund announced today has similar objectives as a tool to generate investment in the Canadian economy. This seems to be doubling down on a failed approach. Would that be a fair assessment?

**Daniel Dufort:** Generally, a sovereign wealth fund would be investing outside of your own country.

**Pat Kelly:** In a true sovereign wealth fund, a country with a surplus exports inflation and invests in other economies as a hedge against its own economy. Are these the sorts of things that a sovereign wealth fund would normally entail?

**Daniel Dufort:** From the details we have now, it is a very peculiar kind of sovereign wealth fund that looks more like industrial policy being rebranded than what would be typical of a sovereign wealth fund.

**Pat Kelly:** However, it's unsuccessful industrial policy, as we've been hearing for 10 years.

**Daniel Dufort:** Yes.

**Pat Kelly:** Thank you.

Mr. Giguère, do you have any lessons from your 2024 report, “Boosting Income Mobility through Economic Liberty in Quebec”, that could be applied to Canada and inform Canadian fiscal policy?

[*Translation*]

**Gabriel Giguère (Senior Policy Analyst, Montreal Economic Institute):** Absolutely.

Just a week ago, we produced a report on entrepreneurship in Quebec that may be related to that. Basically, we're seeing a drop in entrepreneurship in Quebec, particularly because of the regulatory and tax burden. A concrete example of this was the Trudeau government's increase in the maximum tax rate.

In September 2023, we produced another report that quantified the decline in the number of entrepreneurs as a result of the creation of that tax bracket. Unfortunately, more than 9,000 people have not gone on to become entrepreneurs. Basically, that's what we're seeing.

In the longer term, over the last 20 years, we've observed a fairly significant decline in the number of entrepreneurs, whether they are self-employed workers or entrepreneurs who have employees. It is a very alarming and unfortunate path that Canada is going down.

[*English*]

**Pat Kelly:** Thank you.

One of the items you commented on in your report was that, “In economically free environments, the persistence of income status through inheritance at birth is massively eroded.” Those are your words. Therefore, in an economically free environment, people are able to succeed and you don't have the disparity of wealth created by inheritance alone. However, at this committee, we heard in our previous study about the real divide in Canada now between those who own real estate and those who do not and the concentration of wealth among those who owned property before inflation took hold.

Do you have any views on the distortions and whatnot that may come as a result of the doubling of housing prices over the tenure of this government?

• (1640)

[*Translation*]

**Gabriel Giguère:** There is an obvious impact on wealth levels, yes. Now, we have to figure out the causes and fix the issue. You are correct to mention it.

Costs have indeed been rising quickly, but there's also a regulatory burden, specifically at the municipal level. Wait times to get building permits are very long, for example. There are also administrative decisions that are made. In some municipalities, there is sometimes a lack of understanding of the homebuilding trip chain. Even for \$500,000, \$600,000 or \$700,000, there's a trip chain. Trip chains also ensure that affordable housing is available for every Canadian. Understanding this mechanism leads to better public policy.

**The Chair:** Thank you, Mr. Giguère. We have to leave it there.

Mr. Leitão now has the floor for six minutes.

**Carlos Leitão (Marc-Aurèle-Fortin, Lib.):** Thank you very much, Madam Chair.

Good afternoon, ladies and gentlemen. Thank you for being here.

Mr. Dufort and Mr. Giguère, I'm sure it's no surprise to you that I disagree with much of what you've said.

Regarding the Canada Strong fund, Canada's first sovereign wealth fund, which was announced this morning, more details will be provided tomorrow with the economic update.

There is one thing I want to clarify, however. You compared this fund to the Canada Infrastructure Bank, or CIB, but they're not the same. I agree with you that it took some time for the CIB to hit its cruising speed, but it's been working efficiently for the past few years. At the end of the day, it's working like a development bank, like the Inter-American Development Bank or the European Bank for Reconstruction and Development. It acts as a long-term lender, and the interest rates charged by these types of banks are generally lower than the market rates, because the market wouldn't provide such long-term funding for infrastructure projects.

I believe that the CIB's model has changed a lot over the past two or three years. The fund announced this morning is a sovereign fund, but it will operate as an institutional investment fund. It will take action and be a part owner of the projects developed through the Major Projects Office. It will provide long-term funding, but as an owner. It's a different model. Because it is managed independently from government, the fund will generate higher returns than its setup cost. These are two different models.

Mr. Dufort, you mentioned several times that these are examples of industrial policies. The Montreal Economic Institute being opposed to industrial policy issues is nothing new. Would you say that there's a large consensus, especially in Quebec, on the state's ability to act and implement industrial policies?

**Daniel Dufort:** There are certainly numerous examples of economic dirigisme in Quebec. I'm sure that Quebecers feel the effect

of recent failures that cost them dearly, including in the battery sector. It is that type of industrial policy that we find particularly risky and ill-advised. It's not a replacement for a more competitive economy with predictable regulations and lower tax rates.

• (1645)

**Carlos Leitão:** Personally, I would have picked the Caisse de dépôt et placement du Québec to draw a parallel with the fund announced today, but we'll leave that for a future discussion.

[*English*]

Ms. Robson, thank you for coming.

You mentioned a few things that I found quite interesting. One of them was that total provincial revenues exceed total federal revenues, but the federal government generates more income tax revenue than the provinces.

What conclusions do you take from that? What does it mean? Should we worry about it? What's the problem with that, if there is a problem?

**Jennifer Robson:** To put some figures to that statement, federal all-source revenue is about \$500 billion, federal spending is about \$561 billion and all-source revenue for the provinces is \$688 billion, give or take.

It's important, as the committee continues this study, to bear in mind—I think it was implicit in the motion that started this conversation—that there is a concern about fiscal balance within the federation. I would encourage the committee to consider all-source revenues and to recognize that at times in this country, politically, we have fallen into a bit of a pattern of thinking that if something is important enough, then the federal government must become responsible for it and it must become the spender.

In fact, there's a fair amount of fiscal capacity at the provincial level as well. It's not necessarily the case that, simply by transferring fiscal capacity from federal to provincial governments, we would arrive at a better balance than we already have.

This is to take a broader view. We tend to focus very much on income tax as the primary method of generating revenues in this country, but the picture is much broader than that.

**The Chair:** Thank you, Mr. Leitão. That is your time.

[*Translation*]

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

**Jean-Denis Garon (Mirabel, BQ):** Thank you, Madam Chair.

I want to start by welcoming all our witnesses and thanking them for being with us today.

We always neglect our witnesses who participate via video conference, so let me start with you, Professor Schirle.

You mentioned that the federal government's spending power can sometimes correct market failures, such as asymmetrical information. The federal government recently launched its national dental care program. Quebec already had its own regime and computer systems, including for children who could get direct care. The federal government chose to send checks directly to people, mostly for visibility reasons, even if Quebec could have provided the service directly.

Can you explain which market failure the federal government addressed in this case in Quebec?

[English]

**Tammy Schirle:** Thank you for the question. It's an excellent question to ask.

If you were to look at dental care generally, we're looking at a market failure—

[Translation]

**Jean-Denis Garon:** I'm talking about Quebec, Ms. Schirle. Did the federal government correct a market failure in Quebec by bringing in its own program instead of letting the Government of Quebec do the job with its own system already in place?

[English]

**Tammy Schirle:** I'm not as familiar with Quebec's specific program. It sounds to me as though there is a market failure that Quebec is addressing, in the sense that insurance markets often fail to offer a well-priced good to a broad population. I would look more closely at whether there was anything missing in the Quebec system before commenting on that further.

[Translation]

**Jean-Denis Garon:** See, Madam Chair, that's the issue. There's a system in Quebec. The market failure is already addressed in Quebec. The rest of Canada doesn't know about Quebec's regime.

We have highly competent people just like you, Ms. Schirle. I've read some of your research papers. Such is life. What can I say? You come in and tell us that we should maybe look at what's being done in Quebec after the federal government has already imposed its system there.

For example, in the 1990s, the Liberal government merged the Canada health transfer and the Canada social transfer and then drastically reduced them, which prevented Quebec from moving toward ambulatory care. Let me quote what Marcel Massé, who was President of the Treasury Board of Canada at the time, said about Quebec's premier: "When Bouchard has to make cuts, those of us in Ottawa will be able to demonstrate that we have the means to preserve the future of social programs."

The federal government was quite openly depriving Quebec's health care system of resources to play politics with people's health. Please explain which market failure the Liberals addressed back then.

• (1650)

[English]

**Tammy Schirle:** I would have to ask them. That is really the answer to your question. I'm sorry.

[Translation]

**Jean-Denis Garon:** My doctorate in economics tells me that they didn't address any market failure whatsoever.

Professor Robson, when the federal government transfers money with strings attached in jurisdictions where it can't legislate under sections 91 and 92 of the Constitution, we end up with a health system where part of the funding comes from Quebec and the rest comes from Ottawa.

The federal government imposes conditions, but the people who need the care only see the Quebec flag and the Quebec government logo. When the health system isn't working well and people have a hard time getting access to services, do you think that the average citizen knows all about the transfer regime and is able to punish the proper government for the system's inefficiency come provincial or federal election time?

**Jennifer Robson:** Thank you for your question. I can be more specific if I answer in English.

[English]

With regard to the health transfer, I do not study Canadian public opinion, so I am not in a position to comment on what the median voter might perceive in terms of responsibility for various areas of spending. If this is of interest, I would suggest looking at some of the work done by colleagues of mine at the Chaire en fiscalité et en finances publiques in Quebec. They've done some very interesting work with regard to public understanding of taxes and transfers and areas of responsibility. I'm not in a position to cite from that work.

With regard to the Canadian health transfer specifically, which is the major transfer in public health in this country, I would note that it is an interesting example in terms of conditionality. While there are conditions, the process by which the federal government holds back any funds in cases of a suspected contravention of the Canada Health Act is quite rigorous. If anything, it's a nice model of federal-provincial co-operation in an area of—

[Translation]

**Jean-Denis Garon:** I will cut you off there. The answer is that the average Quebecker has no way to figure out which government to punish, and that creates a democratic issue.

You're probably familiar with other federations around the world. Can you give me a single example of a federation on planet Earth where the federal government's spending power isn't limited in any way, not by a constitution or by any sort of legislation?

Either you, Professor Schirle or anyone else in the room can answer.

[English]

**Jennifer Robson:** I would prefer to take this off-line and get back to the committee with a more detailed response on this. If you look, for example, at the federal spending power of the central government of the United States, their power to provide direction to states is quite strong and quite powerful in a number of legislated areas.

[Translation]

**Jean-Denis Garon:** The United States is an example we very much like to follow here.

Just before I entered politics, I spoke to my friend Robin Boadway, whom you know, at Queen's University. I told him that I was worried that one day soon, there would be new programs based on the federal government's spending power. Mr. Boadway told me not to worry, because the last major program based on federal spending power we had was the Canada health transfer, and there probably wouldn't be any more.

Since then, we've had dental care. I could name some—

**The Chair:** Thank you, Mr. Garon.

**Jean-Denis Garon:** I'll continue later.

[English]

**The Chair:** Next is Mr. Hallan for five minutes, please.

**Jasraj Hallan:** Thank you, Chair.

Mr. Dufort, as you know, the Prime Minister announced a so-called sovereign wealth fund today. The government says that it will provide \$25 billion over three years. The only issue is that the federal government can't earn royalties as the provinces do except in lands above the 60th parallel or on federal Crown land. I don't imagine there's \$25 billion of royalties that could be had by the federal government, meaning that this would most likely be funded by debt, and this would ultimately have to be paid by the taxpayer.

Do you think this is a fiscally sound plan?

**Daniel Dufort:** This seems like a tax-and-spend economic industrial policy. Quite frankly, I don't believe it is going to pan out.

**Jasraj Hallan:** Right. Can you expand on that a bit? Why not?

**Daniel Dufort:** If you look at this idea, from what we know so far, the government would be picking categories in which this fund would be investing.

[Translation]

This is analogous to what France did under the Monnet plan. So it's economic dirigisme.

[English]

There's a whole history of these failed attempts to direct the economy in one direction or another, instead of letting entrepreneurs invest their money in projects that they believe to be legitimate.

• (1655)

**Jasraj Hallan:** To add to that, we, as Conservatives, believe that private enterprise should lead this. Would you agree with that?

**Daniel Dufort:** I believe in a system of lower taxes and less-stringent regulation that would enable actors to invest their money.

**Jasraj Hallan:** Hear, hear.

The government created other bureaucracies. We heard about the Infrastructure Bank. It absolutely failed with the Canada Growth Fund, and they made CDEV into its own Crown corporation, just to invest in Canada. Why do you think they needed to create another Crown corporation to invest public money into Canada?

**Daniel Dufort:** If you're going to look at various sectors of the economy in which we have regulation that is stifling private investment or foreign investment, these are the kinds of regulations we should do away with in order—

**Jasraj Hallan:** Would you say that Bill C-69, Bill C-48 and the industrial carbon tax are some of those policies?

**Daniel Dufort:** Bill C-69 is really part of the problem.

I'm less familiar with the issues raised with the other legislation you were mentioning, but certainly the approach that has been taken—that is, to circumvent the regulatory framework for select projects rather than having clear regulations—

**Jasraj Hallan:** In other words, would you say the government is too involved in picking winners and losers?

**Daniel Dufort:** Absolutely.

**Jasraj Hallan:** Okay. That's a very fair statement.

Norway and Saudi Arabia have sovereign wealth funds, as we know, but they use surpluses and royalties to capitalize on their funds. They then invest all over the world.

We know that the CPPIB and Maple Leaf Canadian pension funds do that. What risks are there to having a fund capitalized with borrowed money investing only in Canada?

**Daniel Dufort:** Certainly, Norway is investing outside of the country to prevent inflation. I'm not as confident that this kind of risk profile would exist in Canada, but certainly, active management of these funds would expose Canadians to the risk profiles of the aforementioned investments, instead of being invested in index funds or things like that, which might be more appropriate.

**Jasraj Hallan:** Norway's sovereign wealth fund does not invest in Norway. The way the Liberals have set this up, Canada would invest only in Canada. Could this possibly be inflationary? Would inflation impact the wealth fund negatively?

**Daniel Dufort:** Many factors would have to be taken into consideration here, but the main issue is that this would be more industrial policy: economic policy that has failed and is likely to fail again in the future.

**Jasraj Hallan:** Right, and to cap it off for what we would call the “sovereign debt fund”, is it worthwhile for Canadian taxpayers to be in debt so the government can invest in Canada?

**The Chair:** There are only three seconds left.

**Daniel Dufort:** There is certainly education to be done about the nature of the fund—

[*Translation*]

**The Chair:** Mr. Dufort, I have to interrupt you because Mr. Hallan's speaking time is up.

[*English*]

We'll continue with Mr. Sawatzky for five minutes, please.

**Jake Sawatzky (New Westminster—Burnaby—Maillardville, Lib.):** Thank you, Chair.

Thank you, Ms. Schirle, for your opening remarks. You were mentioning the importance of early learning and child care for the economy. I was wondering if you could elaborate on a few things.

To start, what's the return on investment when we invest in programs for early learning and child care?

**Tammy Schirle:** There are several papers out there with many numbers to consider, but I'll point to a recent one from a paper by Michael Baker, Jonathan Gruber and Kevin Milligan. They looked at women whose children were born when Quebec first introduced their larger program for affordable care.

Over the course of their lifetime, they find themselves with higher wages and better occupations. That effect lasts much longer than just the time when you have a small child. They found the fiscal return to be somewhere between 75% and 117% of the initial expenditure.

• (1700)

**Jake Sawatzky:** That's very significant. How does this investing in child care allow mothers to perhaps return to the workforce? What is the outcome there?

**Tammy Schirle:** The simple thing is certainty in having high-quality care.

When looking at some recent data, researchers found that roughly 90% of mothers want to find affordable and good care for their children, but more of them stay home with their child because they can't find it.

If we improve the first few years when a child is young, with the mother's opportunity, she builds a much better career entirely, including planning for that career with the investment she might make in education beforehand.

**Jake Sawatzky:** Are there certain sectors that see specific benefits from this?

**Tammy Schirle:** I'd have to circle back to you on that for details, but you would certainly expect it in sectors in which skills depreciate quickly. For example, in something like IT and working with AI, if you've been out of the labour force for the past couple of years, you're walking back in with skills that are almost obsolete if you were in that sector. It's those sectors in which moms would certainly benefit the most.

**Jake Sawatzky:** That's very interesting.

How was the \$10-a-day child care rolled out? In your view, could that be continued? Could it be improved?

**Tammy Schirle:** We have seen a huge drop in child care costs. You can look at the price indices for that. That's really simple and straightforward. However, we do see an increase in demand, and with that, there is a demand for high-quality care. We really need to keep an eye on that quality and make sure more spaces are available.

**Jake Sawatzky:** Does access to early learning programs increase the long-term economic outcomes for the children who have access to early learning?

**Tammy Schirle:** For a lot of children, there's really no effect. They were already getting good care beforehand, and they will continue doing so. However, there are many children who gain something in that early learning, which turns into an investment that continues throughout their schooling and into their wages later in life.

**Jake Sawatzky:** Thanks.

Do you have any policy recommendations on this topic?

**Tammy Schirle:** The biggest thing to pay attention to is the caregivers labour force. Make sure that high-quality people are attracted to those jobs in a labour market that does not seem to function very well on its own as a competitive market.

**Jake Sawatzky:** On a similar note, there's a lot of talk about the national school food program making food accessible for people who might not be able to afford it. I wonder if you could touch on that. Has this come to your research?

**Tammy Schirle:** I can't say that it has come to my research. I think it's important, but that is a personal view.

**Jake Sawatzky:** Thank you very much. I appreciate that.

Ms. Robson, you ran out of time during your opening remarks. Is there anything else you would like to note?

**Jennifer Robson:** Thank you very much. I appreciate the opportunity.

I would end with a final call to this committee, as you pursue this study, to focus on opportunities to strengthen intergovernmental agreement in the federation, rather than fanning regional grievances and frictions.

**Jake Sawatzky:** On a similar topic, Canada has maintained a focus on fiscal responsibility through declining debt-to-GDP targets over the medium term while still making targeted investments in affordability, productivity and economic growth. To what extent do you believe Canada's current fiscal approach appropriately balances the need for targeted federal spending with maintaining a credible fiscal anchor, such as a declining debt-to-GDP ratio?

**The Chair:** I apologize, Mr. Sawatzky, but that concludes your time. Perhaps someone will ask a similar question, and we'll hear the answer.

[*Translation*]

Mr. Garon, you have the floor for two and a half minutes.

**Jean-Denis Garon:** Thank you, Madam Chair.

I'll continue with you, Professor Schirle. We were on a roll. I was having a lot of fun.

Quebec has some of the best drug insurance coverage in Canada, both public and private. In Quebec, everyone is covered, without exception.

When the federal government decides to have its own pharmaceutical plan rather than transfer money to Quebec to improve its own plan, and seniors have to go to the Canada Revenue Agency portal to get their medication reimbursed instead of getting it free of charge right away at the pharmacy, explain to me what market failure that solves.

[*English*]

**Tammy Schirle:** I don't think that program is in place across Canada, but this is an opportunity for the rest of Canada to learn from Quebec.

• (1705)

[*Translation*]

**Jean-Denis Garon:** I'm talking about Quebec, Professor Schirle. The Bloc Québécois is talking to you about Quebec. We have that program. The answer is that there's no market failure.

Quebec has a day care centre system. Since the nineties, we've had early childhood care. Obviously, there are a lot of benefits to that. You quoted a document that contained errors, saying that it also increased the crime rate among children. It was the wrong academic paper to quote. There are still advantages.

Quebec has just as much child care coverage, and Ottawa sends a transfer to Quebec with conditions for a service it created itself. Explain to me what market failure this fixes in Quebec.

[*English*]

**Tammy Schirle:** I would need to dig into the details of Quebec's system more closely to offer a proper answer.

[*Translation*]

**Jean-Denis Garon:** The answer is that there are no market failures.

The Government of Quebec manages its own preschool, primary and secondary schools. Quebec has the infrastructure, and Quebec government employees are on the ground, and the Quebec government wants to get involved in school food, which has a lot of advantages.

Rather than transferring money to Quebec so it can better feed its children as quickly as possible, how are transfers that are conditional, with conditions attached to them from Ottawa, an advantage? Explain to me how this spending power procedure solves a market failure.

[*English*]

**The Chair:** We will continue with Mr. McLean for five minutes.

**Greg McLean (Calgary Centre, CPC):** I'm going to pose my questions to Mr. Dufort, first of all, please.

I'd like to talk to you about the discipline of financial markets. Both levels of government—provinces and the federal government—as Madame Robson has pointed out, spend a lot of money. The provinces actually spend more. They raise more and spend more, yet there is much more debt at the federal level than there is at the provincial levels of government combined. That's partially because of discipline, because the provinces would have a downgrade in their debt rather quickly if they overspent the way the federal government overspends.

Do you have any comment on that?

[*Translation*]

**Gabriel Giguère:** You're right to mention that the federal government goes into debt year after year. That's true. I also want to say that we've seen a significant increase in the deficit, particularly under Justin Trudeau's government, up to and including Mr. Carney's. That's a bit unfortunate, because there's going to be a fairly significant increase in debt between now and 2030, according to projections made just last month by economist Trevor Tombe. So we're headed for a situation where we're taking on more and more debt, and that's becoming very problematic in Canada.

[*English*]

**Greg McLean:** The relation I want to make is between the provinces and the federal government.

One of the big differences, of course, is that the federal government is in charge of monetary policy, so the federal government has a bank that it can effectively borrow money from on its own. Quantitative easing means that when the federal government doesn't meet the needs of financial markets in issuing debt, it puts that debt on the balance sheet of the Bank of Canada. In that respect, it has a tool that the provincial governments do not have in order to have somebody take on debt that is mispriced in the market.

Is that a fair way of reducing the provincial...? Well, for wage earners across Canada, it's effectively making their dollars inflated because of the Bank of Canada's intervention.

[*Translation*]

**Gabriel Giguère:** That's a great question. We can see that it's problematic because the deficit continues to grow.

As for the relationship with the Bank of Canada, I'll be careful about what I say, but it's a relevant comment. As for the relationship and the differences between the federal and provincial governments, I won't venture an opinion on the impact of the central bank, but one thing is certain: We can see that the trend is upward in terms of the deficit, and therefore in terms of debt for future Canadians.

[English]

**Greg McLean:** I'll go back to the fund that the government's proposing to put together for \$25 billion, which may or may not be a smokescreen, because it is just another tool for government spending.

Can you tell us if you would put your money into a government-run fund at this point in time, given this government's seeming lack of ability to invest in anything?

• (1710)

**Daniel Dufort:** One of the Liberal members was talking about Caisse de dépôt as maybe being analogous to this new fund. I think it may be closer to Investissement Québec because of some of the permeability to political influence on it. If you were to look at the returns of the Caisse de dépôt, you'd see that you would surely be better off putting your money into an ETF.

**Greg McLean:** Are there many funds that Canadians can put their money into right now that invest in the Canadian economy?

[Translation]

**Gabriel Giguère:** Absolutely.

If I may, I'll quickly come back to the fund issue, which I think is very relevant. The dynamic of this sovereign wealth fund follows Bill C-15, that is to say it centralizes the authority to approve certain projects that were not working under Bill C-69. Now they want to create a fund—

[English]

**Greg McLean:** Let me continue.

The Canada Infrastructure Bank was set up to invest in infrastructure in Canada. Effectively, it required a bunch of infrastructure funds to return their money to Canadians. It had to change its mandate, at the end of the day, in order to put money out. Is this a waste of resources in our country?

[Translation]

**Gabriel Giguère:** No, I don't think that's a good approach.

[English]

**Greg McLean:** Thank you very much.

If we had those infrastructure funds, would pipelines and other infrastructure have been built in Canada?

[Translation]

**Gabriel Giguère:** Absolutely. The problem here is that Bill C-69 is basically anti-pipeline.

They want to create a fund, because—

[English]

**Greg McLean:** The problem isn't the fact that we have these funds. The problem is the fact that we don't have the ability to build.

[Translation]

**Gabriel Giguère:** Absolutely. The problem is that they want to create a fund rather than changing the current deficient regulations.

[English]

**Greg McLean:** Thank you very much.

**The Chair:** That concludes your time, Mr. McLean.

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

**Ryan Turnbull (Whitby, Lib.):** All right. That's great.

I have limited time, but I want to correct the record. The Canada Infrastructure Bank has funded 108 projects. A total of \$18.1 billion has been invested. The total capital cost is \$54.6 billion, which is roughly three times the public investment. It's expected to create 315,000 jobs and \$2.3 billion in added GDP impact per year. It also funded over 100 electric buses in my region, which we wouldn't have had otherwise. Its long-term loans at very good rates have helped our region electrify the bus fleet all across the region. I think that's progress.

The Canada Growth Fund has funded 20 major investments, costing \$5.14 billion, and 170 others are in the pipeline. There are 50 active opportunities. One that I'm particularly proud of is the new nuclear project at Darlington, which is a \$2-billion investment that will create 21,700 jobs, add \$38.5 billion to the GDP and provide clean power for 1.2 million homes.

I recognize that the two colleagues on this side don't believe in government intervention, blended finance or the government playing a role in the economy to stimulate growth, build a more resilient and sustainable economy, etc. It's not something you necessarily believe in. I get that you call it industrial policy, or whatever term you want to give it, but for me, these things are working to generate differences and impact in my community, and I'm quite proud of them. I'll leave it at that.

I'm not going to ask you a question, because I already know where you stand.

Ms. Schirle, I want to ask you a question. I found your presentation quite appealing. I thought the three questions you were using to assess government spending were interesting: Is there a market failure? Does the spending reduce friction? What is the size of the benefits that accrue for Canadians? I hope I have summarized them correctly.

I want to ask you about the housing accelerator fund, which is an interesting example. There's no clear jurisdiction for housing. The federal government got out of housing. It devolved housing for a number of years, and then in 2015, we got back into housing because, I would argue, there was definitely a market failure. There was not enough investment. Non-market housing was not being produced at the rate that was needed by the population. There are all kinds of ways to analyze that market failure. Essentially, we did not see that gap closing without significant government intervention. The housing accelerator fund went straight to municipalities, looking at ways they could speed up approvals, but injecting some needed funds to help stimulate that activity.

Can you speak to whether that meets the criteria you mentioned at the beginning?

• (1715)

**Tammy Schirle:** I would tend to pause and ask why the province isn't the one that's most involved in administering this with the municipalities. One of the biggest problems is zoning at the municipality level and getting things moving there. That is where the challenge is.

I'd put more analysis into whether there are better mechanisms to work with the provinces on that.

**Ryan Turnbull:** For you, it doesn't meet your three criteria. Is that what you're saying?

**Tammy Schirle:** Not necessarily, no. I'd have to think about it more.

**Ryan Turnbull:** Okay. That's interesting.

What about the recent agreement with the Ontario government, whereby we agreed to take the full 13% off new home purchases, as well as to reduce development charges by 50%? Would you say that's a template, given the fact that the Ontario government signed on to that agreement?

It will knock approximately \$200,000 off the purchase of a new home. Would you say that is progress? Does it meet the criteria of your three questions that you were asking at the outset?

**Tammy Schirle:** It helps with pricing in that market. It certainly seems to be popular among people who are analyzing our local markets. Encouraging developers to get moving with some of those plans is certainly important. It's reducing frictions in that market to get some money moving. Yes, this would certainly help.

**Ryan Turnbull:** That's great. Thanks.

Ms. Robson, I'll go to you now.

**The Chair:** You have only five seconds left, Mr. Turnbull.

**Ryan Turnbull:** Thank you very much.

My time is up.

**The Chair:** Thank you, Mr. Turnbull.

We'll turn to Mr. Kelly now for five minutes.

**Pat Kelly:** No. It's Ms. Goodridge.

**The Chair:** Go ahead, Ms. Goodridge.

**Laila Goodridge (Fort McMurray—Cold Lake, CPC):** Thank you.

I want to thank all the witnesses for being here.

Monsieur Dufort, it didn't quite sit well with me that Mr. Turnbull went and attacked you, put a whole bunch of words in your mouth and didn't give you an opportunity to respond. I'm going to give you that opportunity now, should you choose to do so.

[Translation]

**Daniel Dufort:** In fact, when we talk about the notion of economic interventionism, what we see, and what Mr. Turnbull seemed to be pointing out, is its visible aspect. However, French author

Frédéric Bastiat also talked about the importance of what we don't see.

Take, for example, all the projects that never see the light of day because the private sector is crowded out due to government spending when too much money has been taxed. What we also don't see are all the projects that never see the light of day because of regulation and don't get a pass under Bill C-15. Therefore, plenty of projects could get off the ground in Canada, but we're not seeing them nor will we ever see them, because there is too much taxation, too much interventionism and too much regulation.

[English]

**Laila Goodridge:** I appreciate that. I'm the member of Parliament for Fort McMurray—Cold Lake, and if there is one place that can talk about over-regulation, it's us. We see it full out. We've had more than 10 years of governments doing everything in their power to try to prevent any kind of expansion or any kind of development of the oil sands. We had 10 years of Justin Trudeau saying it's the cousin we should be ashamed of, effectively, and putting every regulation in place to prevent any further government spending in this area.

When I look around my community and I see projects that are choosing to pick up shop and move somewhere else in the world, it's because we have created a space in which companies do not want to invest, so we are left in a very complicated space. What would you recommend that the federal government do when it comes to regulation?

**Daniel Dufort:** It should stop over-regulating the economy and stop coming out with new programs that are straight out of a technocratic fever dream.

**Laila Goodridge:** I very much appreciate that, and I think it sums up my feeling in a good way.

Ms. Schirle, you've talked a lot about child care. My question for you is, what about all the families? There are so many reports showing that there are more families waiting on wait-lists now than there were five years ago. StatsCan shows that parents are waiting longer and longer on these wait-lists. Ontario's auditor general recently published that 27% of the spaces that were created aren't being filled.

How does that impact the economics if those spaces are not being utilized to their full capacity and families aren't able to access that care?

• (1720)

**Tammy Schirle:** I would want to dig further into the details of the report that you're referring to. If you reduce prices, you're going to increase the quantity demanded. That is a downward slope in the demand curve. It is fairly straightforward.

Finding the right people in the right places has always been challenging and will continue to be so. I'd like to track that over time.

**Laila Goodridge:** One of the big challenges is that this was an “Ottawa knows best” program created in such a space that it works fairly well for people who work relatively regular hours, Monday to Friday from eight to five. It doesn't work very well for people who work shift work, who have overnights and who do all these other things. There was really no flexibility built into the program in places like Alberta, Saskatchewan or British Columbia—really, right across the country.

We hear from so many parents that the access to the child care they have available to them means that they take a lesser-paying job because they can't get overnight shifts as part of the child care deal. It gets rid of the fact that this is what they need, because it is seen as a luxury and it is explicitly designed out of this program. Do you think that's a policy fail?

**Tammy Schirle:** It's always been a failure in the private markets, actually. One policy fail is this: We haven't yet addressed that there is an absence of high-quality care for parents to rely on when they are shift workers. My family has a shift worker. It is incredibly difficult to find that high-quality care within a reasonable price range. That has definitely always been a problem in the private market.

**Laila Goodridge:** A large part of this is due to the different regulations that exist. We have a 24-7 day care in Fort McMurray. I'm going to give a shout-out to KPSquared. They had to fight all kinds of—

**The Chair:** Thank you, Ms. Goodridge—

**Laila Goodridge:** —fights to get through that just to make it work.

**The Chair:** That concludes your time.

We're going to continue with Mr. MacDonald for five minutes. Thank you.

**Kent MacDonald (Cardigan, Lib.):** Thank you, Madam Chair.

Thank you to the witnesses today.

Ms. Robson, I'll go back to what you said in your opening remarks with regard to the federal model we're in. I represent the smallest province in the Confederation: P.E.I. We are highly reliant on the federal government for transfers to our province. About 40% of the P.E.I. budget is based on federal transfers, but I don't agree with calling P.E.I. a have-not province. It creates economic activity.

I see that services like the Canada health transfer and the social transfer create friction between the provinces and the federal government. This speaks more to Mr. Garon's earlier point. The general public doesn't understand who's responsible for what.

Could you comment on that? Are there ways that the federal government could attach strings to the funding so that certain outcomes are guaranteed? It would create more friction, but it is something voters would like to see.

**Jennifer Robson:** Let me try to deal with the block transfer issue separately from these other transfers that I spoke about, which are grants and contributions that tend to have more conditions attached.

With regard to block transfers, from a provincial fiscal perspective, predictability and stability of the revenue source are very im-

portant. As I said in one of my previous answers, the Canada health transfer is a really interesting example of a case in which we have intergovernmental agreement on some of the basic principles and we have a very well-regulated, rigorous approach so that if there is a disagreement between the federal government and a provincial government over those outcomes—those strings, so to speak—there is a very good way to resolve that dispute.

With regard to the question of whether block transfers should have additional strings added to them, there have been discussions in this Parliament at times about imposing conditions on all block transfers, for example, including what used to be called the gas tax fund, in order to generate particular kinds of housing outcomes. It wasn't just permits but actual occupation levels.

I would caution that the approach of trying to buy policy change when the policy instrument is quite separate from the desired outcomes is likely to really fan the flames of federal-provincial friction.

The examples that you gave.... In our federation, there's a long history of provinces that rely on federal transfers always wishing that those transfers were larger, but I think we are now in a situation in which those transfers have at least attained a level of predictability. They are rising faster than the rate of inflation. As I said, there is an uneven capacity across the federation—I will give you that—but as a whole, the provincial order of government has fiscal capacity that is not insignificant.

• (1725)

**Kent MacDonald:** A lot of the negotiations end up at a supplementary agreement for shorter-term funding, and they are contentious, so you might get four or five of those ongoing with different sunset dates. An example I'm quite familiar with is in agriculture. They do a five-year national policy framework. It seems to work quite well. Once the provinces sign on to it and it's negotiated, it seems to work quite well in the program delivery. Each province has jurisdiction over its own program delivery, decides what its priorities are and runs with them.

Could you comment on that?

**Jennifer Robson:** Another area in which you see a similar, I would say, flexible approach to intergovernmental agreements is in workforce development. Frankly, if you look at the details of the early learning and child care agreements that were signed between the federal and provincial governments, there was quite a lot of flexibility written into those agreements.

The question of intergovernmental co-operation in Canada is more often, in my observation, the norm rather than the exception.

**Kent MacDonald:** I'm going to cede the rest of my time to Mr. Leitão.

**The Chair:** You have 10 seconds.

**Carlos Leitão:** I have 10 seconds. Well, thank you, Kent.

**Some hon. members:** Oh, oh!

**Carlos Leitão:** That's very generous on your part.

[*Translation*]

Thank you, everyone.

**The Chair:** Mr. Garon, you have the floor for two minutes.

**Jean-Denis Garon:** Thank you, Madam Chair.

I would like to give two seconds of my time at the end to Mr. Leitão. Please remind me.

Professor Schirle, sometimes I get a little carried away and I get emotional. I want to assure you that I didn't mean to be rude to you earlier, at the end of my questions.

I'd like to explain what I meant in my previous remarks. You talk about market failures, and regardless of what the Montreal Economic Institute thinks—we'll agree to disagree—it's a way to justify the role of the state. I mentioned a number of programs aimed at correcting market failures that are not interregional. In many cases, the Government of Quebec takes responsibility and corrects these failures. However, programs are being implemented that ultimately encroach on its jurisdiction. The question then becomes: Who is responsible for doing this work?

In many cases, we find ourselves in situations where the federal government interferes in a province's areas of jurisdiction, not to correct market failures or to improve the well-being of Canadians

in that province in areas where the province could have done so, but because the ideology or political preferences of the federal government of the day are not the same as those of the provincial government. That's often when we tell people in government, in the House of Commons, that they should run for provincial office, because they would do a better job. That's what this is all about. A lot of questions have been asked here by people who don't understand the subject of the study. That is the real subject of the study.

I'll end with you, Mr. Dufort. You worked for the Harper government. At the time, there was a major agreement on health care. You will recall Mr. Harper's approach, which was to deal with the health care issue without attaching any conditions to the transfers. Can you explain to us why you decided to operate that way within that government at the time?

**Daniel Dufort:** Beyond the agreements, from the perspective of the Montreal Economic Institute, the fact that conditions are attached to health transfers, particularly under the Canada Health Act, hinders health innovation across the country. It's not something that necessarily serves the public interest.

**The Chair:** Thank you.

On behalf of the committee, I'd like to thank the witnesses.

[*English*]

With that, I will adjourn the meeting.

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