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• (1530)

[English]

The Chair (Kelly McCauley (Edmonton West, CPC)): Good afternoon, everyone. We are in session.

Welcome to meeting number 23 of the House of Commons Standing Committee on Government Operations and Estimates, known everywhere as the mighty OGGO, the only committee, of course, that matters. I extend a special hello and happy new year to everyone.

We are starting the year off strong with our friends from the parliamentary budget office.

Welcome back, Mr. Jacques and crew. I understand that you have an opening statement.

Before we get to that, I'll just mention that we have to approve our budget. We'll do that at the end, and then I'll go over the next couple of weeks' schedule and a subcommittee date that will take us to our Family Day break.

Mr. Jacques, we'll turn the floor over to you. Go ahead, please.

[Translation]

Jason Jacques (Interim Parliamentary Budget Officer, Office of the Parliamentary Budget Officer): Thank you, Mr. Chair and members of the committee, for the invitation to appear today. I am pleased to present our recent analysis to Parliament and to provide you with a brief administrative update.

I am joined by colleagues who contributed to this work.

Since my last appearance before this committee, the Office of the Parliamentary Budget Officer has continued to deliver on its mandate to support Parliament by providing independent, non-partisan analysis of the government's spending plans and fiscal outlook. We have published eight reports directly related to budget 2025 and matters under consideration by Parliament. This includes an initial assessment of the government's planned spending reductions as part of the comprehensive expenditure review and of the \$1-trillion investment commitment in budget 2025.

Before turning to your questions on these reports, I wanted to first provide an administrative update and follow up on our budget 2025 issues report.

[English]

In the coming weeks, the OECD will publish its first external review of Canada's parliamentary budget office. I commissioned this

review last September. The review assessed our institutional framework, operational practices and alignment with the OECD principles for independent fiscal institutions. While the external review is yet to be published, I am encouraged by recent public comments from the head of the OECD's public management and budgeting division, who succinctly concluded, "I think Canada is very lucky to have the PBO, and to have a body that has respect from seemingly all stakeholders that we talked to."

In the interest of transparency and accountability, I would also like to draw your attention to our new policy on report revisions that was published last week. This policy formalizes our approach when reports are revised and how those revisions are communicated to parliamentarians and stakeholders. Next week, we will also publish our very first communications strategy and policy, which will explicitly codify our "parliamentarians first" approach.

I also want to follow up on previous testimony regarding our "Budget 2025: Issues for Parliamentarians" report. Members will recall that we highlighted concerns regarding the government's decision to abandon its debt-to-GDP fiscal anchor and its overly broad definition of "capital" as part of the new operating budget fiscal anchor.

Last week, the International Monetary Fund published its article IV consultation report on Canada. The IMF also concluded that "a clear debt-to-GDP anchor should remain central to the fiscal framework, extending Canada's strong tradition of fiscal prudence." In addition, it noted that the government's new "definition of capital...remains broad" and would benefit from closer alignment with existing standards used by Statistics Canada and other countries. We encourage parliamentarians to follow the progress made by the government in implementing the International Monetary Fund's recommendations.

• (1535)

[Translation]

In closing, I want to say that my office remains committed to providing Parliament with clear, timely and non-partisan analysis to support your scrutiny of federal spending and fiscal policy.

We appreciate the constructive engagement of the committee in advancing transparency and accountability in the federal budget process.

My colleagues and I are pleased to answer your questions.

[*English*]

The Chair: Thank you, Mr. Jacques. I appreciate that and look forward to the OECD report.

I participated in interviews for it, so I'll look forward to seeing it. Perhaps when it does come out, we can invite you back with your team to discuss it.

Before we start, I want to offer a warm welcome to Mr. Osborne, who's joining us for a while. He sat previously with us for one meeting, I think, but now we'll see him back more often.

Welcome back to OGGO, and I look forward to seeing you on public accounts as well. I hope you're still there.

We'll turn things over to Mr. Chambers to start for six minutes, please.

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

Mr. Jacques, welcome back. Along with your team it's always a pleasure to have you here. You teased the OECD report, and I look forward to reading their findings. It sounds like they're in support of the institution. I can speak on behalf of myself as a parliamentarian that the work that you do supports us very well, and I thank your office for that. I also note that the CBO in the U.S. has a much larger budget. Anyway, I'll just leave that there.

On the recent work in your report on the investments, can I just ask a very basic question on the definition of capital and spending, which I think supports your research here? The government provided a table in the budget on page 283 that showed a comparison of what other countries do when they call something a capital investment.

The government offered no comparable country that treated corporate income tax credits as an investment in capital.

Do you have a view on that? I don't believe they've offered any other country that does that. I'm not sure that is in alignment with other countries that split capital and operating....

Jason Jacques: I would go back to the comments that we provided to the committee previously that we highlighted in our budget 2025 issues note. It is a very broad definition. We are unaware of any advanced jurisdictions that would define capital in that way, including corporate income tax credits that are being provided. There are other measures as well, including operating subsidies provided to companies that are potentially related to capital investments that the Government of Canada also includes, which is not really seen in other jurisdictions.

In reading through the report and the commentary from the International Monetary Fund, it's evident that the IMF also shares those concerns. This is why the International Monetary Fund, similar to us—as we had highlighted this in October and November—several months later highlighted the same issue, that it would potentially be

worthwhile to learn from other jurisdictions and use a consistent definition that other people use.

• (1540)

Adam Chambers: Thank you. That's very helpful.

I was surprised that the government didn't offer any other combination, especially when they provided a table to the public that showed other countries that were aligned with them. However, on this one, they had no comparison.

On the report about the \$1 trillion in total investment, my understanding is that this is not a net new number of investment. Is that correct?

Diarra Sourang (Director, Economic Analysis, Office of the Parliamentary Budget Officer): That is correct, yes.

Basically, what we tried to do in this report is understand where the \$1-trillion figure is coming from. Starting from the federal government commitment to support the industries and investors to the tune of \$280 billion, we found that of that \$280 billion, one finding was actually \$285 billion. The \$280 billion is a rounding. You will see me mentioning the \$285 billion, but it's really a rounding. Of the \$285 billion, approximately \$41 billion is associated with new measures from budget 2025, and the remaining amount is related to measures that were in place prior to the publication of the budget.

Adam Chambers: When the government says that the budget is generating \$1 trillion or will generate \$1 trillion in new investment, what I'm hearing from you is that a lot of those investments were already being made. Is that a fair characterization?

Diarra Sourang: It is a fair assessment, yes.

Adam Chambers: I also note an interesting parallel between the way the government has communicated the \$1 trillion, along with a whole chapter in the budget on the superdeduction that they say will have a monumental impact on encouraging investments in this country. If you look at the table that they provide about the cost of the superdeduction, almost all of the superdeduction is already in place today. The only new measure in the budget is about maybe \$300 million a year in what I'll call stimulus.

There seems to be consistent messaging from the government saying that they're delivering this big number, but the net benefit of what they're delivering isn't as big as the headline.

Is that fair? You don't have to comment on whether you agree with it or not.

They come out with a big headline, but when you dig down, most of its measures were already happening anyway.

Diarra Sourang: That's what we found after our analysis. Almost 71%, pretty much, of the \$1 trillion is related to investments or stimulus, whether it's government investment or business investment, that were already in place prior to the budget.

Adam Chambers: What is the number then that would be net new?

Is that a fair question, or should we follow up on that after?

Diarra Sourang: It is a fair question.

There are two numbers, I think, that are important to keep in mind.

The first one is the net new investment from budget 2025 from the federal government. That would be \$41.3 billion.

How much more total investment is expected to be generated by that additional investment? We estimate that amount to be \$126 billion.

The Chair: Thanks very much. We're past our time.

Mr. Gasparro, please go ahead.

Vince Gasparro (Eglinton—Lawrence, Lib.): Thank you.

Happy new year, everyone. It's great to see you again.

I'm glad you led off the conversation with the International Monetary Fund's 2025 article IV report.

I want to quote something from the report. I'm going to paraphrase the first part and then I'll give a direct quote. The IMF's 2025 article IV report on Canada paints a picture of an economy weathering external trade shocks better than expected thanks to policy responses and strong fundamentals.

Would you agree with that analysis?

Jason Jacques: I take the International Monetary Fund's analysis, of course, very seriously. They're very good economists, much better than me.

Vince Gasparro: We don't want to diminish your—

Jason Jacques: No, I take it very seriously.

I would say—it's something we were discussing prior to committee—that the International Monetary Fund, throughout the 60-page report, highlights the downside risk to the Canadian economy and the significant levels of uncertainty.

In addition to that, while the International Monetary Fund, in their charts, highlights that certainly at the federal level, Canada's net debt-to-GDP ratio is the lowest in the G7. They also highlight that Canada's household debt level is the highest in the G7. Canadian households are also paying the highest share of interest payments on that debt across the G7. Canadian corporations have the second-highest level of debt across the G7.

I think it's important, when drawing from a report, to always look at the overall context. It's a big report, and it definitely is a nuanced story.

• (1545)

Vince Gasparro: I agree that we need to look at it in its totality, but the fundamental headwinds that the IMF outlines are external in

nature. They are, in particular, trade related, which we don't have full control over. I think what you're hearing from the government is that we are focusing on the areas that can be controlled on domestic front.

On that point, in your report that is presented, would you say that it represents one of the largest projected federal investment support efforts examined by your office in recent budgets?

Jason Jacques: Is that with respect to the capital investments related to the \$1 trillion?

Vince Gasparro: Yes, that's correct.

Jason Jacques: I don't know if that necessarily would be the case given that 85% of the total \$1 trillion figure and the total capital investments were actually announced prior to budget 2025.

I would have to go back and analyze it in detail, but simply at face value, 15% of the total \$1 trillion figure is based upon the document that was tabled in Parliament on November 4 and 85% relates to everything prior to that.

I don't know if that's the case, but if there's a motion from the committee, it's certainly something we can look at.

Vince Gasparro: I would love for you to take a look at it, please.

When looking at the \$285 billion, I noticed there was a slight discrepancy between what the government's saying in terms of the \$1 trillion or the \$896 billion, but that multiplier effect is still significant.

Would you agree that the capital investments being made, the focus on major projects, for example—and we can touch on that in a moment—and those infrastructure investments are critical for the future growth of our country?

Jason Jacques: Yes.

Vince Gasparro: The investment projects totalling almost \$115 billion have been referred to the Major Projects Office. How do you foresee the Major Projects Office impacting new investment moving forward?

Jason Jacques: It's something we're following carefully.

Obviously, the modelling that everyone undertakes with respect to the economy and investment is based upon historical data or evidence from other jurisdictions. What the government has put in place are structural changes with respect to how projects are approved. That's very difficult to model because the structure itself is changing, so it's something we're following with keen interest to see if we do see an inflection point in the overall level of investment starting to tick up in comparison to what we would have otherwise predicted based on what we've seen in the past.

I would say the government itself, in terms of the \$1 trillion figure of its capital investments, has also taken a bit of a parsimonious approach, and it highlights in the budget that figure does not include the potential upside should there be a fundamental change in the level of investment that's occurring across the economy as a result of structural changes.

Vince Gasparro: How much time do I have, Chair?

The Chair: You have 30 seconds.

Vince Gasparro: I yield my time.

The Chair: Before we move to Ms. Gaudreau, you had asked a question about some of the numbers, and Mr. Jacques said he could get back to us in a report.

Can we agree that if Mr. Jacques is offering, we can have him do that? Will that satisfy you?

Some hon. members: Agreed.

The Chair: Perfect, that's wonderful.

We'll go to Madame Gaudreau, please, for six minutes.

[*Translation*]

Marie-Hélène Gaudreau (Laurentides—Labelle, BQ): Mr. Chair, we are starting 2026 with a consensus. I hope it will continue that way.

I am very grateful to the witnesses for being here.

Mr. Chair, I have quite a few questions for the Parliamentary Budget Officer.

First of all, I'm pleased to hear that we'll soon be getting the communication strategy and the OECD report. Right now, however, there's one question on everyone's mind, including the people on the ground, who all want clarity around the \$1-trillion investment. Where is the provincial money, the municipal money, the private sector money coming from?

Have you been able to break down this investment to show which sectors the money will go to so we know what to expect, or is it vague?

• (1550)

Diarra Sourang: I think it's important to understand the methodology behind that \$1-trillion figure.

Essentially, the starting point is the \$285 billion.

Depending on how the funds are distributed and which sectors they're invested in, cost-sharing ratios, as they are commonly called, were used to multiply these base amounts for these industries. Those figures will be calculated for each sector, and that's how you get \$1 trillion.

That number does not necessarily mean that these are guaranteed investments. It is based on historical programming, on what was done in the past, what programs the government put in place. We have seen how much investment increased as a result of such programs. That doesn't necessarily mean these investments will actually happen. It doesn't necessarily mean that those investments wouldn't have happened anyway, with or without government sup-

port. It also doesn't mean that we have a good idea of what is actually additional, in the sense that, when we do our forecasts, we assume some growth in those investments, whether it's at the federal level, other levels of government or the private sector.

We already have an idea of their future investment plans. What's important to us at this point is figuring out to what extent these additional total investments can be reflected in our forecasts. We have to consider whether it's significant enough to materially change our forecasts. That's the hard part.

What we can say is that, even if we look at the net amount, which is \$126 billion, which we assume to be total investments, we can only estimate that as a maximum range of what the total increase in investments would be.

Marie-Hélène Gaudreau: I don't find that very encouraging, especially since it's already been two days. This is a judgment on my part, and I know you may be uncomfortable, but the department already has its budget 2025 talking points. They can't help themselves. They're always talking about a strong Canada with \$1 trillion worth of investment.

How can we reassure people that this will produce good results? I'm asking because, even in your report, you wrote that it was not quite that good. Help me understand this better, because I find it quite vague and unclear. I don't find it reassuring at all. Those talking points are too good to be true. Help me understand that.

Diarra Sourang: I would really emphasize the point that Mr. Jacques made earlier. It's important to understand that the figures we put forward are based on the status quo, assuming that the structure of the economy remains as it is, but there are unknowns. How effective will the investments be? To what extent will businesses and investors get on board with this plan? Could the structure of the Canadian economy undergo a fundamental change? Will we see productivity gains? Depending on all these factors, the impact on GDP could be much greater because more capital will be unlocked and productivity will go up. That would increase nominal GDP.

It really depends on the structure of the economy and productivity gains in the future.

Marie-Hélène Gaudreau: So we should try to be positive and look on the bright side. Personally, I don't find that reassuring given the current geopolitical context. It may be true, but it doesn't reassure voters. This is playing games with people's trust. We'll see what happens.

Now let's talk about the cumulative economic impact of federal spending. According to your notes, that has not been assessed. Could some more detailed analyses be included in the report we want? That's what the discussions were about earlier, right?

• (1555)

Jason Jacques: Yes.

Marie-Hélène Gaudreau: I didn't start my timer, Mr. Chair. I'm out of the habit.

[English]

The Chair: You have 35 seconds.

[Translation]

Marie-Hélène Gaudreau: I have one last question. It's a yes-or-no question.

Does your analysis take into account tax policies that differ from one province to another?

Diarra Sourang: No.

Marie-Hélène Gaudreau: Perfect. Thank you.

[English]

The Chair: Okay, you'll get back to us.

We will go back now to Mr. Chambers for a five-minute round.

Adam Chambers: Thanks very much, Mr. Chair.

I'd like to pick up where I left off last time. I may have a better question to ask, if I wasn't more precise before.

If budget 2025 had never occurred, in your analysis, what level of investment was going to happen?

Diarra Sourang: Based on our September outlook combining both business and government investment, we were sitting at \$700 billion of total investment in 2025. We expected that number to grow to approximately \$900 billion by the end of 2030.

Adam Chambers: If the government put out a very ambitious or attention-grabbing number, like that our investments will deliver \$1 trillion, in your conversations with the government to pressure-test this assumption did you come across a way that the government is measuring this result?

Diarra Sourang: No, not presently.

Adam Chambers: The government told the Canadian public that its investments—what it's calling investments, but it's spending—would generate a certain amount of economic activity. From your understanding, not to say that it doesn't exist, but you have not come across a measurement capability that the government is checking up on the claim. Is that fair?

Jason Jacques: From our perspective, it's something that we pay very close attention to. The private sector banks and forecasters also pay very close attention, too, because of the importance in capital investment and capital formation across the economy and the links to productivity and growth within the economy.

If, in fact, there is an inflection point, if we are at a change in how the economy is structured. If what we've seen in the past in terms of capital investment is not what we're going to see in the future, everyone needs to pay very close attention to it because it will certainly affect our economic forecasts.

Adam Chambers: I guess the question is more like, if the government would make a claim like this, don't you think they should

have a system by which they would be able to tell whether it's working?

Jason Jacques: That would be a question that would be better put to the government.

Adam Chambers: As parliamentarians, I think it's a reasonable question to ask. When a government says that X is going to deliver Y, we should probably have a way to measure that. I would think that is a reasonable question to ask.

Jason Jacques: It is a reasonable question.

On our end, we do have one of the world's premier national statistical agencies, Statistics Canada, which publishes monthly data with respect to capital investments, as well as investment intentions. It's something that we pay very close attention to and I presume our colleagues in the Department of Finance do the same.

Adam Chambers: If the budget hadn't occurred, a lot of this activity was going to happen. I don't think anyone would quibble with that amount or that assumption.

It's also over a five-year period. Is that correct? This is not next year; this is something that's going to happen over the five years.

Do you have a breakdown of when most of that investment is supposed to come? I think I see it in your report. A lot of it seems to be spread evenly over the five years. Is that the assumption that you've made?

Jason Jacques: That's correct and it's consistent with historical trends—historical trends reflecting reality. It would be very challenging to drop an additional, new \$1 trillion in capital investment in a \$3-trillion economy and find the people who could actually work on the projects to build the roads and the ports.

• (1600)

Adam Chambers: That brings me to my final question. I was over the last time, so I'll try to end sooner this time.

What's the biggest impediment that you see to achieving the investment here? Is it a people impediment of some sort? There's going to be a limiting factor in achieving this.

Jason Jacques: In terms of this specific initiative, we haven't looked at that in detail.

More broadly, something we have highlighted in terms of risks regarding our economic outlook is, obviously, the heightened uncertainty. With any capital investment, it's not the federal government that's going to do everything. The federal government is working hand in hand with businesses, provincial and municipal governments, and other partners.

To the extent that there ends up being uncertainty regarding the future of the Canadian economy, and in the case of firms in particular it's the potential profitability of long-term investments—if you're making an investment, you're expecting to get a return over five, 10, 15 or 20 years—that uncertainty will potentially undermine people's willingness to spend the additional money.

The Chair: Thank you very much.

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

Tom Osborne (Cape Spear, Lib.): Thank you.

Kevin Page, a former parliamentary budget officer, said that he supported “the budget's focus on economic growth”. Would you say that it's a fair statement?

Jason Jacques: I didn't see the analysis that underpinned that comment, so I'm not in a position.... There are many pundits who pass commentary, and I'm not in a position to follow all their punditry. Until I have time to sit down and analyze the analysis that supports their commentary, I'm certainly not in a position to pass comment on it. I'll stick to remembering my own words rather than paying attention to those of other people.

Tom Osborne: Kevin Page, who I feel was probably well-respected as a Parliamentary Budget Officer, also said, “We need to reallocate funds from current spending to new priorities.” I believe the budget did that with the Major Projects Office, Build Canada Homes, and the list goes on. I don't have enough time here in four or five minutes to list all of those things.

Mr. Chambers asked, if the budget had not happened, what the investment would be? Have you taken into account the fact that there is greater than identified—I believe by you—investment in new initiatives? There was investment in old initiatives that outlived their usefulness in areas where they weren't meeting targets and in areas where we needed a shift in focus based on the geopolitical world. Is that a fair statement?

Jason Jacques: From my perspective, it's not within the legislative ambit of our organization to pass commentary on the policy probity of the government's decision to cut \$60 billion from the operating budget and to lay off 40,000 public servants over the next five years.

I would say that, with respect to the \$1 trillion mentioned earlier, close to 85% of that federal funding was earmarked prior to the announcement of the budget. Obviously, there was an incremental amount, based upon our calculations. The vast majority was already set aside beforehand.

Tom Osborne: You mentioned the size of the public service, which increased by 40% over the last decade. Do you believe that was sustainable, or do we, as a government, need to focus on a sustainable size in the public service?

Jason Jacques: Unlike the definition of fiscal sustainability used by the government previously, which clearly linked it to a declining debt-to-GDP ratio, I am unaware of a definition presented by the Government of Canada regarding a sustainable public service and an appropriate size of the public service. If such a number exists or if such an analysis exists, then obviously our office would be very happy to receive it and to analyze it.

Tom Osborne: Have you cut any of the staff in your office?

Jason Jacques: We have. We are the only agent of Parliament to voluntarily implement a 5% cut without being requested. We were exempted from the exercise. A good part of that 5% cut included cutting the salary for the Parliamentary Budget Officer by more than \$50,000. I hoped it would set an example for other senior executives across the government. I guess we'll see.

• (1605)

Tom Osborne: Based on the geopolitical changes that we see, obviously things could not continue the way they were. If you listen to Kevin Page or other pundits—and you said you haven't read their comments, and that's fair enough—they give praise to the direction this budget has gone in, based on the reality of the world we're living in. We need to diversify trade, as one example, and obviously there's a focus there. Would you feel, as Parliamentary Budget Officer, that the need to diversify our options is a realistic focus?

The Chair: I'm sorry; give a brief answer if you can.

Jason Jacques: As a financial analyst, I would say that diversification is always a benefit.

The Chair: That was briefer than I was expecting.

Go ahead, Madame Gaudreau, please, for two and a half minutes.

[Translation]

Marie-Hélène Gaudreau: I would like to talk more about how the performance evaluation was set up. My understanding is that previous mechanisms were used to interpret performance, but that doesn't work because the government's message, even in Davos, is that the world is changing. If the world changes, that will have consequences for sustainability, economic diversity and results. Prudence is not part of the government's plan. It's telling us that \$1 trillion dollars will make Canada strong, everyone.

Things are changing and precarious, so I want to know if this is all just talk. How can we be sure the numbers they're putting out there will actually create Canadian prosperity?

Diarra Sourang: I think I'll start by picking up on a phrase you used. This isn't about performance; it's about all the economic activity that will happen, and we use these ratios to estimate it. It's not about performance at all.

To your other point, it's true that the announcement was about \$1 trillion. There may have been some confusion. Members of Parliament and the public alike understood that to mean \$1 trillion net. However, as we said in the report, \$914 billion was already part of the economy in some way. At the end of the day, what makes a difference is anything extra on top of that.

Marie-Hélène Gaudreau: That's very important to point out, because businesses are wondering how we're going to help them and how they can contribute. It isn't working. Many are on the verge of very tough times.

That helps clarify things for us.

Thank you, Mr. Chair.

[English]

The Chair: Thank you very much.

Go ahead, Mrs. Jansen, please, for five minutes.

Tamara Jansen (Cloverdale—Langley City, CPC): Canadians were told that budget 2025 would create \$1 trillion in investments. That was presented as a big, new plan from a new Liberal government.

Now, when I look at the details in your report, there seems to be a little evidence of smoke and mirrors in that. According to your analysis, only \$41 billion is new in budget 2025, and the rest are reannouncements from the Trudeau government plans. That doesn't reflect much of a new direction. In fact, it seems to reflect an old announcement just being repackaged.

Am I understanding that correctly?

• (1610)

Diarra Sourang: I think, as we said in the report, it's really \$41.3 billion that is tied to new measures introduced in budget 2025, and the remaining is really from previous measures.

Tamara Jansen: Your report shows that most of that \$1 trillion does not come from Ottawa. It depends on provinces, municipalities and anticipated private investments. It's money that is not guaranteed and, in many cases, not even committed. In other words, this figure relies heavily on other governments and private investors stepping in.

What's your estimate of how much of that \$1 trillion will actually materialize?

Diarra Sourang: We don't have an estimate at the moment, but we are, as Mr. Jacques said, following very closely the developments and releases from Statistics Canada in terms of how much more investment we see coming in. We will adjust accordingly and be able to present a clearer estimate at that time.

Tamara Jansen: There's no estimate that we could look at at all, not even a sticky note figure.

Diarra Sourang: Not at the moment.

Tamara Jansen: I understand that, for industrial development programs, the government assumed that, for every \$1 they put in, they would attract \$8 from others, but based on past experience, your office found it would be closer to \$4. Is that correct?

Diarra Sourang: That's correct.

Tamara Jansen: From my perspective, there's a pretty big gap there on how this budget is being communicated and what it will realistically deliver.

Diarra Sourang: The difference between this program and the other programs is that it incorporates the new component that are measures that have not been put in place before. Since we're relying on past data, it is possible, as we say in our report, that maybe what we call the implied cost-sharing ratio could be different from what has been the case in the past.

Tamara Jansen: Is there something out there to make you believe it would be different from the past?

Diarra Sourang: It's just the fact that it incorporates some programs that did not exist previously, and that's an uncertainty we would like to flag.

Tamara Jansen: The government also announced targets for internal savings and staffing reductions, including cuts to executive positions.

Can you tell us how that's going? Do you know what's going on?

Caroline Nicol (Advisor-Analyst, Office of the Parliamentary Budget Officer): We published this morning an analysis providing parliamentarians with an update on the information we've received regarding the CER. Most specifically, on the executive side, we're still analyzing what we got, but we didn't receive additional detail about the impact specifically on executives.

Tamara Jansen: Obviously, they said that they plan to cut executive positions. I believe I heard a number between 600 and 1,000. If it's real, you would think that there would be some kind of information.

Based on what you've received from departments, can you show us the executive reductions by department, the costs and severance packages for those executives?

Jason Jacques: There's a two-part answer to the question. I hate giving a two-part answer, because I like to be succinct.

The two-part answer to the question is, based upon the information requests that we have issued to departments under our power of direct access, under the legislative power, we do not have that information. That said, we have been provided the information in our capacity as a federal organization in the context of the Government of Canada's plans to reduce the number of executives across the public service by roughly 12% across departments. As well, there's additional new guidance that's been issued by the Treasury Board Secretariat regarding the appropriate levels of responsibility for executives.

Tamara Jansen: I think I'm running out of time.

The Chair: Yes, you have run out of time.

We'll go to Ms. Rochefort, please, for five minutes.

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

Madam Jansen, I'll build a little bit on some of the questions you're asking.

I'd like to come back to the methodology, if I may.

In your report, you described that you assessed the government's implied cost-sharing assumptions using historical program data and conducted sensitivity analysis on the estimated trillion dollars in total investment activity presented in budget 2025. That resulted in applying less optimistic assumptions for cost-sharing ratios in certain program areas. We just mentioned the industrial development program and the implied cost-sharing ratio of eight.

Then, in one of your footnotes, you explained that Finance Canada's investment estimates are based on model-generated results rather than an assumed cost-sharing ratio. To me, it seemed like there was a difference in methodology, and I want to understand that methodology.

What is the difference between model-generated results and assumed cost-sharing ratio results?

• (1615)

Diarra Sourang: The note you mentioned refers to only one program, not all of the program areas. I would say that the main difference, if any, is that modelling relies heavily on historical programming. I would say that it's more a complementary relationship than a difference, because when you're modelling something, you rely on historical data. Depending on the nature of what you're trying to model, if it incorporates a component that you have never experienced before, then you will come up with your own assumptions of what the future will be, so I would say that it's more of a complementary relationship.

Pauline Rochefort: That is correct. That is why it explains the major gap in your estimates versus those of the government. We all prefer to have historical data or proof in the pudding, because it makes the estimates or the forecasts more accurate.

I was wondering how you feel—maybe it's not the right word, “feel”—as you see some of these announcements in recent weeks.

I look at the MOU with Alberta, where it's acknowledged that the industrial carbon pricing may drive over \$57 billion of investment, enabling carbon capture projects like Pathways.

There's the automotive strategy. Yesterday, Minister Joly spoke of the many conversations she's been having with industry across the world as we develop our automotive strategy for Canada and for the battery sector.

Then, of course, there's the \$70 billion of investments from the United Arab Emirates.

Certainly, we look at the trade agreements. Last year we signed three trade agreements and I was interested when the minister spoke out and said that historically we signed one agreement per year. Now, we signed three last year and there are other trade negotiations that are under way with major economies like India.

I really enjoyed an article this week on Premier Eby in British Columbia, where it said he's basking in mining expansions, which is speaking to the confidence that is currently present in our country and around the world with Canada.

As you listen to these various announcements, do you feel that maybe there is some value to the model-generated results of the government?

Jason Jacques: I think the short answer is yes. We have the utmost respect in the high-quality work undertaken by officials within the Department of Finance.

I would also say, having paid attention to the technical work published by external forecasters regarding the \$1 trillion investment announcement, that there did seem to be confusion among the public and among forecasters on what precisely that \$1 trillion figure meant. The mandate of the Parliamentary Budget Office is to promote transparency and to ensure people have a good understanding of what the numbers mean.

Pauline Rochefort: Thank you.

The Chair: You have 30 seconds.

Pauline Rochefort: I'm good with that answer.

The Chair: Mrs. Block, please go ahead.

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

I want to circle back to the \$285 billion the government is spending, which is noted in your office's recent report on federal spending. They're doing this to support, as we've been talking about, \$1 trillion in total investment.

I want to talk about how it's calculated based on their definition, not yours. What would your office consider to be a more accurate number?

Given that there are these different definitions, can these present challenges for parliamentarians when evaluating government spending, especially if it's misallocated?

Jason Jacques: That is a multipart question.

With respect to the \$1 trillion, based upon the historical data and the historical relationships that we've looked at, our estimate is that it would be a lower figure in comparison to the figure presented by the government.

With respect to the capital component of the \$285 billion, whether it's the government's new capital definition or the alternate capital definition that we would use, it's still \$285 billion. It's \$285 billion of federal efforts and federal supports to stimulate capital investment and capital formation across the economy.

Touching on your third point, I think it highlights the need for clarity around language and especially around capital. Potentially, again, going back to the recommendations from the International Monetary Fund regarding the broad definition that the government has chosen around their new definition of capital, there's an additional layer of complexity that potentially makes it that much more challenging for everyone to fully understand and appreciate what's going on.

• (1620)

Kelly Block: In the report that you released today, you provided an update on the government's comprehensive expenditure review. In that update, you noted that several organizations still need to have their plans finalized and reviewed.

How important is the execution of the expenditure review? How directly tied is this policy to the government's promise of reducing the deficit-to-GDP ratio as a fiscal anchor?

Jason Jacques: It's intrinsically linked. That's why we examined the issue. In comparison to previous recent exercises, this is fiscally material. The extent to which the government is unable to execute or the putative savings aren't actually realized will have a direct impact on the government's ability to respect its fiscal anchors.

Kelly Block: As we've been noting again around the table, the IMF released a report last week that encouraged transparency as part of this review. Would you be willing to provide the committee with, say, quarterly updates?

Chair, I guess I should ask if we, the committee, could ask the Parliamentary Budget Officer to provide us with quarterly updates on the government's progress and execution on their savings plans.

The Chair: Is that doable from your office?

Jason Jacques: Yes.

The Chair: Is the intent to provide it to us?

Kelly Block: Yes, on a quarterly basis.

The Chair: Are we fine?

Some hon. members: Agreed.

The Chair: Thanks, Mr. Jacques.

Kelly Block: Do I have more time?

The Chair: You have one minute.

Kelly Block: Your report finds, under “Information Received”, that “nearly all organizations that provided [you with a] service-level impact assessment” said there will be “minimal or no impact on service levels.” I find this interesting based on some of the conversation we've already had regarding the cuts to the public service.

If cutting these positions won't affect service standards, it begs the question of why they existed in the first place. Why are the taxpayers on the hook for these positions if it's not going to make a difference whether they are here today and gone tomorrow?

Can you comment on that?

Jason Jacques: I think it's well outside of the mandate of even the interim Parliamentary Budget Officer to comment on that. I think there are many deputy ministers who would be better placed than myself to respond to your question.

Kelly Block: Thank you.

The Chair: Ms. Khalid, go ahead, please, for five minutes.

Iqra Khalid (Mississauga—Erin Mills, Lib.): Thank you very much, Mr. Chair. Through you, welcome to our guests here today.

Mr. Jacques, thank you for your analysis and for your contributions.

I'll start by asking about one of your recommendations, which is “that the Government establish an independent expert body to determine which federal spending categories and measures qualify as capital investment under an expanded definition beyond the Public Accounts of Canada.”

You spoke just now about efficiency and cutting costs within your own office. Can you talk about what the cost of this recommendation, if implemented, would be? What would its impact be?

• (1625)

Jason Jacques: Looking at the recommendations and the observations from the International Monetary Fund, it would certainly be worthwhile and it would make sense to have a separation of the definitions of what is capital from the people who are actually measuring it. It's good basic practice—a separation of responsibilities. In terms of who does it, I think there are always opportunities for productivity improvements across government.

Consistent with the experience in our office—where we weren't asked; we were actually told we were excluded from the restraint

exercise—on day one, I sat down with the chief financial officer and proactively asked for a plan to reduce our spending by 5% without anybody asking for it because it was the right thing to do. We continue to increase the output of the office. In the fall, our output was actually up by 15% in comparison to the previous year, even with a spending reduction.

I would think that there are substantial opportunities for productivity improvements where a mandate such as the one that you mentioned could be undertaken by somebody, potentially without additional resources.

Iqra Khalid: Is that a mandate that...? For example, in your office, would that be something you would be able to give a little bit of your budget towards? How do we pay for something like this? This is what I'm asking.

Jason Jacques: I guess the question I'm asking is what this is. In terms of the proposal, what is the precise proposal? Again, having been with the parliamentary budget office since it was initiated 18 years ago, something I've learned is that as soon as a parliamentarian has a proposal, the first step is to sit down with the detailed terms of reference—that's between 300 and 500 words—to make sure that everybody's on the same page with respect to what the proposal actually looks like. Before I comment on the cost of fulfilling or making an administrative change in our office, or creating a new capacity, I would want to sit down and actually look at what the proposal is.

Iqra Khalid: That's interesting. I appreciate that.

We've been talking a lot about investment versus impact. What we've talked about are the recommendations that you've provided in your report, and also with budget 2025.

Government is not in the business of making money. We're talking about cuts, we're talking about finding efficiencies and trying to make sure that we are using taxpayer dollars in the most efficient way.

There are a number of programs within the budget that we are trying to invest in. What I really want to know is how you do that calculation of investment versus the impact of the dollars that are invested. For example, one of the line items in the budget was investing in accreditation programs for new professionals who are coming into the country to make sure that they get accredited in an efficient way. When we talk about the dollar number that is invested in that program versus the impact and future return on the investment, how do you calculate that in your office?

Jason Jacques: It ends up being a multistep approach. Generally speaking, once the budget is tabled, we receive a detailed spreadsheet from the Department of Finance that actually identifies, of the total spending announcements, what falls into which categories. In terms of operating transfers—the transfers that are being made from the federal government—we look at who is going to be receiving those transfers, and then we map it into the economic system and national accounts to get a sense of where the money is going to be flowing across the economy. That is the first step.

Where there are structural changes—such as the one that you identified where there might be changes to accreditation or, as mentioned earlier, the Major Projects Office—we try to identify examples of where there have been similar changes in the past to see where the basic numbers won't necessarily tell the whole story. Where there is a contemplated structural change in how the economy operates, simply dropping an additional dollar into the economy and having an output for an estimate of how much will actually be generated in terms of GDP won't necessarily tell the whole story if the machine regarding how the economy works is going to be different after the fact. That's the second step.

The third step is very much stress testing. As part of the third step, we start to look at the overall numbers—what's actually rolling out and how it actually appears to be impacting the economy. We've done quite a bit of work recently regarding the government's changes over the past few years on the immigration side. That's been particularly important, because, of course, the demographics and the working-age population is a key part of economic growth. People are the economy.

• (1630)

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

We have Ms. Gaudreau, please, for two and a half minutes.

[*Translation*]

Marie-Hélène Gaudreau: Do I have two and a half minutes, Mr. Chair? Okay.

Mr. Jacques, I'll give you an opportunity to speak. You said that the government's definition of a capital expenditure is overly broad. Can you explain what you meant for everyone listening?

Jason Jacques: We said that because of the approach that other countries have used to define capital. Specifically, the Government of Canada has decided to identify a set of expenditures as capital, but it differs from the definitions that Statistics Canada has used and those used in other countries. We see two problems with that.

First, there's more complexity and a bit of confusion, as we saw with respect to the \$1 trillion.

The second problem is the connection to spending, which is tied to Government of Canada support and real capital investment in our economy. That connection is not clear and strong when it comes to some aspects of the Government of Canada's definition. We think it would be preferable to use the definitions already established by the Government of Canada and Statistics Canada or those used by other countries where there is a strong, clear and well-established connection.

Marie-Hélène Gaudreau: In life, change is sometimes necessary, but it does not necessarily make everyone happy. However, when there is a change, people need to know what the new rules are and how to interpret them. Correct me if I'm wrong, but my understanding is that this was all clearer in the past than it is now.

I used the word “vague”. All the answers we've been getting are vague. Everything is vague. This is all smoke and mirrors. Meanwhile, you need to do your work, but the data are insufficient and our understanding of the mechanisms is unclear.

What are we supposed to do with that?

Jason Jacques: The Government of Canada is always ready to receive your recommendations. Officially, all public servants are willing to increase transparency and clarity in communications.

Marie-Hélène Gaudreau: I'm sorry. When there's noise, I can't focus.

[*English*]

The Chair: We'll go to Mr. Patzer, please, for five minutes.

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

Thank you to the PBO and to the staff for coming here today. I appreciate it.

One of the hallmark policies of the 10 years of the Justin Trudeau government was the implementation of their GBA+ strategy, which was driven in large part also by the hiring practices of the government. When we look at the CER and we see all of the reductions in full-time equivalents, is the government using a GBA+ policy in those reductions as well?

Jason Jacques: We did not ask for details about GBA+ analysis in the reductions. That's a question that's better put to the Department of Finance regarding the application of their GBA+ lens.

Jeremy Patzer: Then nowhere in any of the information that you looked at was there any indication that they were using it.

Jason Jacques: I would say that we didn't request that data.

Our efforts, again, were really very much focused on the fiscal side, looking at the fiscal anchors, the government's ability to actually respect the fiscal framework that it has established and whether it's on track to potentially reduce spending by that \$60 billion over the next five years, which is directly linked to its ability to respect its declining deficit-to-GDP anchor.

Jeremy Patzer: I would think that if they took it that seriously, they would have probably just provided it anyway, or it would have been included in the numbers and the reporting. It should have been so obvious, I would assume.

Anyway, I'll go on to the next questions I have for you.

When we had the Treasury Board here, there was an issue with your trying to get some information from the Treasury Board, because they said it was sensitive in nature and that it was people's lives that we were dealing with.

Are you dealing with any other departments that are withholding information, or are maybe taking longer than they are supposed to or should in giving you the information you require?

• (1635)

Caroline Nicol: In the case of the second round of information requests we sent.... In the first batch we only sent five, and then following the results that we received, we proceeded to send requests to all 83 organizations that were mentioned in annex 3 of budget 2025 and would therefore be affected by the CER. The result was that all 83 responded to us.

There were a handful in there that did not provide the data but mentioned that the reason was that their plans were still waiting for approval and to be finalized. Otherwise, the majority provided the data that we asked for.

There was another subset that did not provide some of the data, either for FTE reduction or service-level impact. In the publication that we posted on our website this morning, we have a breakdown and a list of those organizations.

There's also a smaller subset that did not disclose any new information to us.

In general, there was a wide range in the level of detail that we received from those organizations.

Jeremy Patzer: Was there a specific timeline that you had expressed to the departments for getting that information back to you?

Caroline Nicol: Yes. The organizations had two weeks to respond to us, and we received responses from all of them. It was really what was provided in those responses that varied across departments.

Jeremy Patzer: For Canadians who are watching this, can you explain just how difficult it is for you to do your job when you don't get full information from departments, or you get partial information, or one department gives you the full ambit of information but another department gives you only a little bit and then another department gives you nothing?

How hard is it for you to actually do your job as the PBO when you don't get consistent access to information from departments?

Caroline Nicol: It's definitely challenging when we have issues with access to data. Given the field we are in, more data is always better. Right now we're making an effort to go through everything we received, trying to make the best of it and use it to inform our future fiscal outlooks in the best way we can.

Jason Jacques: I would also say that there are several responses that we received—more than several—that are non-confidential. The information is provided to us. It's not public and it's not on the website, but it's not confidential in nature. I would say it would save everybody a lot of time and effort if the government adopted an open-by-default approach. Rather than our having to—

The Chair: Can I interrupt, Mr. Jacques? Is this the same issue we ran into with the request for the first five, before Christmas, for which we had to pass a motion?

Jason Jacques: It's a little bit different. Like the request for the first five, as my colleague mentioned, it would apply to three departments. Those were the Canada Revenue Agency, Library and Archives, and Parks Canada, which—

The Chair: That's right, but you're looking for the same information.

Jason Jacques: It's exactly the same information.

The Chair: I notice there are three that refuse to disclose anything, and the rest are in progress.

Is it fair that we pass a similar motion on those three and then follow up on progress in a month or a couple of weeks from now? The majority have disclosed, but there are three that are like the original five and haven't disclosed. Is that correct?

Jason Jacques: That's correct.

The Chair: Is it fair that we make a request similar to what we did in December for those three to disclose, and follow up in maybe two weeks or a month for the in-progress ones? Would one month be suitable for the in-progress ones?

• (1640)

Iqra Khalid: I don't think I understand what the ask is here.

The Chair: Well, just briefly—and correct me if I'm wrong, Mr. Jacques—we ran into this in December when you asked for information. Departments refused, but this committee passed a motion saying, “Hand the confidential information over.” It was not for it to be shared with us but for you to do your work. The committee passed the motion and you received the information.

You've since then asked for the rest of the information for the CER that the Treasury Board president promised, but three have refused to pass it over, so I'm suggesting that the committee just apply a similar request to them to provide it in confidence to the PBO for the CER analysis.

Iqra Khalid: I'm sorry, Chair, but I don't understand. When we say that the departments have “refused” to hand over the information, what exactly does that mean, through you, Chair?

The Chair: Would you like to explain?

Caroline Nicol: Yes. We categorized the 83 responses that we've received into different categories. Organizations that provided the data that we needed to do our work were listed as fully disclosed. Some that gave partial information on what we asked were tagged as disclosed in part. In the case of those organizations, they either did not provide details about FTE reductions or did not provide service-level impacts.

Then the third category is the organizations that you listed. They did not disclose any information beyond what was available in budget 2025.

Iqra Khalid: Chair, can I ask a follow-up question? My understanding is that all the information was provided by all departments. Again, I go back to that word “refused” to provide information.

The Chair: They didn't.

Iqra Khalid: There's a big difference between refusing to—

The Chair: Oh, it's semantics—"didn't".

Iqra Khalid: No, there's a major difference.

I'm also wondering which departments we are specifically talking about and what specific information we are talking about. I'm not sure what exactly the ask is here, and I'm not sure what—

The Chair: I'll repeat it again.

There are three departments—the CRA, Parks Canada, and Library and Archives Canada. This is the same information that the PBO had asked for from the five original departments in December that would not turn over the information.

The committee passed a motion asking those departments to turn it over to the PBO—not to us, not to make it public, but to turn it over to the PBO so they could do their analysis.

They've now written to the other departments, and 75-some have disclosed the information. Some have said, "We will. We're just in progress. We have to get a bit more." Three haven't disclosed, so I'm asking that we do the same for these three that we did for the other five and direct them to turn over the information.

Pauline Rochefort: May I, Mr. Chair?

When I read the footnotes, it seemed to me that there was a footnote related to the fact that a few departments had not provided all the information because their implementation plan for workforce implications had not been completed. It might be good to go back to see—

The Chair: Those are the ones that I think are described as "in progress". I'm referring specifically to the three that have disclosed nothing.

Pauline Rochefort: I believe they have disclosed, and my understanding is that they've all disclosed, but there was a footnote that might be important to take a look at to see what it said specifically.

The Chair: Maybe you could clear up the responses from the three that did not disclose.

Caroline Nicol: Yes, certainly.

In the footnote, we do mention and list organizations in which the information request is in progress for different reasons, but those that provided a response and kind of a complete—

The Chair: Which ones did not disclose?

Caroline Nicol: The Canada Revenue Agency, Parks Canada, and Library and Archives Canada did not disclose information.

The Chair: They did not disclose information at all.

Caroline Nicol: There was nothing beyond what was publicly available in the budget.

The Chair: Right. Those are the ones we're referring to.

Pauline Rochefort: However, they replied. That is the point. They replied.

The Chair: No—

Pauline Rochefort: Yes. She just shook her head to say yes, they replied.

The Chair: Okay, but just to clear it up, did they reply with the information that the PBO needs to perform its analysis?

Pauline Rochefort: What they were saying was that they did not have the information, so—

The Chair: Could you clear it up for those three?

Caroline Nicol: They sent a response that did not contain any information beyond what was already publicly available.

The Chair: Did they say they'd get back to you?

• (1645)

Pauline Rochefort: And they explained why.

The Chair: Go ahead, Ms. Rochefort.

Pauline Rochefort: I'm sorry, Mr. Chair. It's just because I read the footnote and I wanted to make sure—

[*Translation*]

Marie-Hélène Gaudreau: Mr. Chair, I have a point of order.

My brain has limitations, as do the brains of the interpreters, who are doing a good job. I completely missed the last two minutes. There's one thing I want to understand. It's my right.

Things are missing. They want a motion enabling the Parliamentary Budget Officer to get information from three organizations: the Canada Revenue Agency, Library and Archives Canada and Parks Canada.

Is that correct? Okay.

Slow down, please. Thank you.

[*English*]

The Chair: Ask your question, please.

[*Translation*]

Pauline Rochefort: I'm sorry.

All I'm saying is that, when I read the report, there was a note explaining that the three services had responded. It was in there. That's why I think it's very important to take another look at the note before commenting. The goal is to have a better understanding of the situation. I don't recall what was in the note, because I don't have the report in front of me.

[*English*]

The Chair: Just quickly, then, what they responded was, "We're not handing over the information that you've requested" or "We're not providing the information you requested." The other departments did, but they didn't.

Did they provide a justification for not turning it over?

Jason Jacques: It was the same explanation that we received previously from the five departments: that there was confidentiality of a sensitive nature owing to human resource sensitivities. As a result of that, they declined to share the information with us.

As noted previously, we disagree with that as a legal basis for refusing to respect the Parliament of Canada Act and the power of direct request by the Office of the Parliamentary Budget Officer. Based upon the response from the initial five departments and the other departments that have shared all the information with us, I think that's a very flimsy excuse at this point.

Pauline Rochefort: My only point is that the report did not say that, so it's important to me, if they did provide a response and an answer, that we see what it is before—

The Chair: You were just provided with it.

Pauline Rochefort: Well, I know, but it's not what was said in the written report. That's different, from what I recall.

Anyway, I think it's important to see what that note is, just to understand.

Iqra Khalid: Yes, I agree.

The Chair: Okay, I am sensing that the government side will not allow us to move forward as we have in the past, so I'm going to leave it there. Perhaps it's something that someone can bring—

Iqra Khalid: I'm sorry, Chair—

The Chair: Let me finish, please.

Perhaps someone can bring up a motion on notice to have the information released, perhaps written as we did in December.

I regret breaking up our work.

Go ahead quickly, and then we'll go back to our rounds.

Iqra Khalid: I'm sorry, Chair. I don't mean to contradict you. However, we're not saying that we can't have access to this. We're not saying that we cannot ask for this information. I'm just trying to seek clarity as to what exactly it is that we're looking for.

I appreciate that—

The Chair: We've gone over it many times—

Iqra Khalid: —one hundred per cent—

The Chair: I've provided clarity. Mr. Jacques has provided clarity. Ms. Nicol has provided clarity—

Iqra Khalid: Chair, you don't like it when I talk over you. I'd appreciate it if you could give me the same courtesy.

The Chair: We've put it to rest. There's no consent; therefore, the issue's put to rest. We will continue with our time.

Jeremy Patzer: Do I still have time, or are we on to the next questioner?

The Chair: We'll continue with Mr. Gasparro's five minutes.

Vince Gasparro: Thank you.

Coming back to the macro strength of the Canadian economy, when I had my line of questioning, I touched on the IMF's 2025 article IV report, which said our economy is weathering the external trade shocks better than expected, thanks to policy responses and strong fundamentals.

In addition, on January 1, Reuters published an article, and the main point from the article said, "The TSX's nearly 29% surge this year also positions the index for its strongest annual performance since 2009...outpacing the benchmark S&P 500 in the U.S."

Again, in Reuters on January 27, we read, "Canada's dormant market for initial public offerings is poised for revival in 2026, signaling renewed economic confidence...and [validating] the government's pro-business agenda."

As you well know, our pension funds and Canadians' RSPs, RE-SPs and TFSA's are obviously directly correlated to the strength of our capital markets. The Reuters article speculated that Canadian IPOs are poised for revival in 2026. Peter Miller, head of equity markets at BMO, stated that the IPO pipeline "is the strongest I've seen since 2021."

What impact can a strong IPO market have on domestic investment and foreign direct investment?

• (1650)

Jason Jacques: To the extent that it's stronger than we would have otherwise anticipated and there are additional flows of capital going into Canadian businesses, it obviously begets additional investment in the Canadian economy, allowing greater capital formation, greater hiring and overall improvements in productivity and growth.

Vince Gasparro: And, eventually, lower debt-to-GDP ratios, or improved debt-to-GDP ratios, etc. Okay, thank you for that.

Our government removed all federal interprovincial tariffs in Bill C-5. What impact would fully removing all interprovincial trade barriers have on Canadian investment?

Jason Jacques: I'm familiar with the range of figures that have been published by other reputable academics. We're looking at a couple of percentage points of GDP, which is substantial. We're looking at a substantial increase in the overall size of the Canadian economy and improvements in the standard of living for all Canadians, were that to come to pass.

Vince Gasparro: Thank you for all that.

I asked those questions in the order I did because the assumptions you are making in your analysis obviously have a great deal of impact on the final output, since what's coming in will impact what's coming out.

Did you test scenarios and do some stress testing of different inputs to drive to some of the decisions you made? Did you take a more conservative view?

Obviously I mean small-c conservative. I did that for you, Chair.

The Chair: [*Inaudible*]

Vince Gasparro: I know you are.

Maybe more liberal inputs would come up with different scenarios when coming to—

An hon member: Small-l.

Vince Gasparro: That's right, small-l. Anyway, you know where I'm going with the question.

Jason Jacques: The short answer is yes. We always run scenarios and stress-test all of our economic and fiscal outlooks.

If we actually paid performance bonuses in the office, the people who run the macro forecast would receive a substantial bonus this year because the numbers that we published in September, broadly speaking, have come to pass. The International Monetary Fund's macro forecast that it published on January 21 is broadly consistent with what we had previously.

With regard to your point, I'll say that structural reforms are very difficult to forecast. There's a lot of uncertainty. What has happened in one jurisdiction won't necessarily happen in another jurisdiction, especially one like Canada, where you have the federal government and 10 provinces.

That said, it doesn't mean they're not worthwhile. It certainly does not mean that they are not real. It's something that we're paying very close attention to. I, like everybody else, would love to see higher investment numbers and out-turn numbers coming in from Statistics Canada. As soon as that happens, we will be one of the first organizations to start to build that into our scenario analysis as part of our economic and fiscal outlook.

The Government of Canada, as part of budget 2025, also took a parsimonious approach. There were the additional announcements as part of the expectation of a boost in investment spending, but it was very clear that it didn't incorporate that into its forecast. It doesn't mean it's not going to happen; it's simply a prudent approach in budgeting.

The Chair: Thanks very much.

Mrs. Jansen.

Tamara Jansen: I'm just going to split my time here with my colleague. We were chatting and were both—probably others were too—shocked to hear that you don't have the info on the cuts to executives. It's such a critical issue. We are wondering whether it might be possible to move a motion to call the TBS to get some more answers, to have the TBS come to committee to help us understand what the plan is.

• (1655)

The Chair: So, for the Treasury Board, do you mean the president, the deputy minister or both?

Tamara Jansen: We need answers. Who's going to give us the answers?

The Chair: Can we agree to invite them for one hour, the deputy minister and the president?

Some hon. members: Agreed.

The Chair: We'll follow up with that.

Tamara Jansen: Okay, thanks.

I'll pass the floor over to you.

Kelly Block: Thank you.

Mr. Jacques, in chapter 5 of budget 2025, the government outlines another initiative to find savings going forward. This is called "optimizing productivity in government". The claim the government is making is that this will save an additional "\$7.75 billion over three years, starting in 2027-28," and then another "\$3.25 billion ongoing".

In your report on the CER, you say that departments indicated there would be limited to no service-level impacts, as I mentioned before. In this initiative, is there an indication that there could be service impacts?

Jason Jacques: For that initiative, we have not put the question to departments. At some point, we will need to do so to assess the reasonableness of the savings estimates that are in the budget, which, again, are linked to the government's ability to manage the fiscal framework and respect its fiscal anchors.

We're not there yet. We're still digesting the very many requests that we sent out and the substantial amount of information that we have been provided with.

Kelly Block: Would it be fair to say that this could lead to more FTE cuts beyond what has been advertised by the government?

Jason Jacques: It would be speculative at this point, and I'm not the interim parliamentary speculation officer.

Voices: Oh, oh!

Kelly Block: Okay.

Jason Jacques: I'll leave it to the pundits.

Kelly Block: Yes—because that's what they do best.

In looking at the report today regarding planned reductions, and in light of the conversation we just had about potentially asking departments to provide the parliamentary budget office with the information needed in order for it to do its work, I am wondering this, Mr. Chair: As members having to scrutinize the savings plans of the government and the announcements it is making with regard to those savings, could we ask the Parliamentary Budget Officer to publish in a report for the committee all information deemed non-confidential? This would be to assist our efforts to scrutinize the savings plans.

The Chair: [*Technical difficulty—Editor*] I guess it would be ATIPable if it's non-confidential.

Is that something you can just put together and save time with an ATIP?

Jason Jacques: We work for you, so if there's a motion from the committee—

The Chair: It's clearly stuff that's been identified as non-confidential.

Jason Jacques: By the departments?

Kelly Block: Yes. It's non-confidential.

The Chair: The departments are making that decision, not you.

Jason Jacques: That's correct. As long as departments have identified it as being non-confidential—if we're holding it, we're holding it in order to do our work on behalf of parliamentarians—with a motion from the committee we could certainly furnish that information to the committee.

The Chair: Are you fine with that? It would be the items identified by the departments, not us or others, as non-confidential.

Thanks.

Kelly Block: Okay.

Do I have more time?

The Chair: You have one minute and 10 seconds.

Kelly Block: Mr. Patzer, your time ran out due to the debate we were having. I'm wondering if you would like to follow up with a question or two.

Jeremy Patzer: Yes. I do have another question that I was hoping to get to earlier.

Your report didn't get a chance, I think, to fully get into the issue of “crowding out” investment. The government is obviously trying to invest. They're saying it's going to catalyze this \$1 trillion. Is there a risk that if the federal government is spending too much money, it will actually crowd out private sector investment or disincentivize private companies from investing their own money if they're just simply waiting for the government to give them money in order to invest?

• (1700)

Diarra Sourang: It is a possibility, indeed.

Jeremy Patzer: Have you seen any issues of that, maybe not so much in this study but in other studies you've done? Have you encountered that before? Have you seen signs of that being an issue?

Diarra Sourang: I think it's a recurring theme. Usually when the federal government invests, there's what is perceived to be an optimal level of investment in order to make sure that all the investments are productive. It's just what the literature suggests, but nothing new specific to this case.

The Chair: Thank you.

Mr. Osborne.

Tom Osborne: Thank you.

I want to go back to the cost-sharing assumptions for a moment. My colleague Mr. Gasparro went down an avenue that I wanted to go down, and that's the elimination of interprovincial trade barriers, movement of labour, the ability to do business and so on. I think

that fundamentally changes the historical measurement on cost sharing, because there's greater competition. For example, there are companies in my province of Newfoundland and Labrador that would not have been able to bid in Quebec or Ontario prior to this. That will make a change. The geopolitical landscape has changed, which may also make a change. The significant increase in national defence and the national defence infrastructure program should make changes.

You mentioned earlier a couple of other things I want to bring up. You talked about the Department of Finance's “prudent approach” to budgeting. I would agree.

For those people with nothing else to do in their lives but watch this program live, I spent a number of years as finance minister in Newfoundland and Labrador. Politicians provide the policy. We don't provide the analytics that are in the budget. The assumptions that are in the budget would be done by the bureaucrats.

You mentioned that you had great faith in the bureaucrats and the Department of Finance officials. I'm paraphrasing, but you did say that assumptions are hard to measure, based on the machine that drives the economy. On the difference in your cost-sharing assumptions and those that were done by officials in the Department of Finance, how can you be so sure, based on things like interprovincial trade barriers coming down? Is it fair to say that historical measurements of cost sharing are not necessarily the indicators we should follow? There's a marked difference in what you're putting in and what officials put in, and I think it's fair to call that out.

Jason Jacques: Sure. So, yes; and I would also say that we use historical data to forecast the future, not because history is going to repeat itself but because it's the most defensible and impartial way of doing it rather than exercising our own professional judgment absent historical data.

Let me be one of the first people to say that I, again, will be, like many Canadians, very happy and thankful if we do see an inflection point in investment in the Canadian economy, and Canadian workers are better served with more equipment, productivity in turn increases, and productivity across the Canadian economy has a sustained increase, absolutely.

Tom Osborne: I appreciate that response.

If we're looking at the difference in assumptions between your office—with great respect to your staff as well—and the assumptions made by the department officials, I think it would be unfair to say that one set is absolutely correct and the other set is absolutely incorrect. I would anticipate that we may see movement based on one set or the other set of numbers.

Just to draw an example of that, I know that Statistics Canada, which I also have great respect for, had indicated that Newfoundland and Labrador's population would decline year over year for 25 years. Well, in the last four years we saw an increase in population. Things can change based on the environment we are in, such as the removal of interprovincial trade barriers.

I would perhaps think that basing it on historical analysis... Things may have changed. Is that fair?

● (1705)

Jason Jacques: Absolutely.

As I mentioned previously, it's very challenging to model structural changes. The economy obviously will change over time. In a situation where it's not a gradual change but a sudden change... Thinking most recently of the pandemic, the forecasting models that you would have used were based upon historical data. Going back to the scenarios that we were publishing in 2020 and 2021, the historical data wasn't quite as representative as it otherwise might have been, which required more judgment on our part.

I always go back to a comment made by the Governor of the Bank of Canada. I'm paraphrasing, not quoting. It was that if you're in the forecasting business, you should exercise a lot of humility. That's something that I keep in mind in the office.

The Chair: Thank you very much.

I'm going to go to Mr. Gill for one question and then we're going to deal with a programming or a scheduling motion.

Go ahead, Mr. Gill.

Harb Gill (Windsor West, CPC): Through you, Chair, the PBO's report highlights ongoing weaknesses in private sector investment and the lack of productivity growth.

My region of Windsor-Essex is one of Canada's most manufacturing-intensive and trade-exposed regions. What does your analysis suggest about the long-term economic outlook for communities like mine if these trends persist? What federal policy levers could have the greatest localized impact to change the course from the current trends?

Jason Jacques: Our economic modelling doesn't get down to that level of detail with respect to your community, unfortunately. That said, right now, obviously the Canadian economy is undergoing a lot of change. That change is in terms of both individuals and companies.

What you're potentially seeing in Windsor-Essex is kind of a microcosm of what we're seeing across the entire country at this point, where the jobs that people had in the past aren't necessarily going to be the same jobs in the same location that they're going to have in the future. I would say the plain, vanilla approach to dealing with that—and consistent with the policy recommendations highlighted by the International Monetary Fund—is for a government to be in place to help with that transition.

In terms of individuals, we've seen the government come to the table with respect to additional supports through the employment insurance program and additional supports through training to help people find that next job that might be outside of their field.

In the case of firms, owing to the uncertainty, it's providing additional liquidity—financial support—as well as other types of supports. Recognizing in budget 2025 the government's objective of further diversifying trade, there's a doubling of Canadian exports, net the United States. It's helping those firms that are producing really high-quality Canadian goods identify those markets, obtain export financing and have the support they need to actually be able to provide that.

Harb Gill: There are no easy answers.

The Chair: Thanks very much, Mr. Jacques and crew.

We're going to excuse you, but thank you very much for your time, especially at the last moment, as always. We appreciate everything that you've done. We're going to go over to a bit of committee stuff right now. Rather than bore you with that, I'll thank you and dismiss you.

Colleagues, there are just a couple of things. Although it's just been put on motion, I'm getting a sense from everyone that we're fine adopting it. Even though it's not the 48 hours, I get the sense we're all fine with Mr. Osborne's—

Kelly Block: Will we seek unanimous consent?

The Chair: Yes, we're going to seek UC to approve it.

Basically, public works has proactively offered to be here on February 12, so we'll try to get Canada Post at the same time and leave it with—

● (1710)

Tom Osborne: Mr. Chair?

The Chair: Yes, go ahead please.

Tom Osborne: I just want to read the motion in. I know my mom is tuning in, and there may be other people who really want to hear this. If I could read the motion in, that would be great.

The Chair: You can read it in and ask for UC from everyone that we vote on it now, because otherwise, you can read in the motion and we actually won't properly get to it until we're back in a couple of weeks.

This is for Tom's mom.

Tom Osborne: Thank you. She'll be very proud of me and thankful to you. The motion is:

That the committee agree to a subject matter study of Bill C-15, specifically clauses 195 to 199 (division 2), clauses 203 to 209 (division 5), clauses 210 to 216 (division 6), clauses 217 to 222 (division 7) and clause 592 (division 40);

that it (1) invite the President of the Treasury Board for one hour, followed by one hour with the Red Tape Reduction Office, followed by one hour with representatives from the Public Service Alliance of Canada; (2) invite the Minister of Government Transformation, Public Works and Procurement for one hour, followed by one hour with Doug Ettinger, Chief Executive Officer of Canada Post; and (3) dedicate one additional meeting to the ethical, accountability and transparency implications of division 5 of part 5 of the bill (amendments to the Red Tape Reductions Act) and forward any recommendations or suggested amendments to the finance committee by Friday, February 27, 2026.

The Chair: Very quickly, we have to mention that PSPC officials have proactively said they'd like to be here on the 12th, so we'll try to get Mr. Ettinger for the same day. For the other days, we ask that you leave it to MOG and our analysts to arrange the dates, if that is fine with everyone. We'll adopt it on UC if we're fine with that.

(Motion agreed to)

The Chair: Perfect.

Everyone will have received a copy of the budget. This is for the last Canada Post meeting we had, because we went over our budget for the three. Can we adopt it?

Some hon. members: Agreed.

The Chair: Thank you very much.

Obviously, we're not here this Thursday. On February 10, we have the rescheduled appearance for Secretary of State Fuhr and Mr. Guzman from the DIA.

We bumped the Information Commissioner in December. We had booked her, but we bumped her, I think, to squeeze in Canada Post. I'm suggesting that we bring her in on February 3 or 5, depending on when she's available and working around these other meetings.

I had planned on the 3rd or the 5th, depending on the Information Commissioner, to do a subcommittee meeting, but this adopted motion with all these meetings will take us to our break week for Family Day. I suggest that we skip the subcommittee and work

around the schedule as per Mr. Osborne's motion, with Mr. Guzman, who we have already, and the Information Commissioner. That will take us to the February break.

I don't think there's anything else. Is there?

Madame Rochefort.

Pauline Rochefort: It may be unrelated, but it's slightly tied to this. I just wanted to thank you both, Chair and Vice-Chair, for changing the schedule. I want it on the record that I personally much prefer Tuesday afternoon and Thursday morning. Thank you for that.

The Chair: I wish it had something to do with us, but it doesn't.

I have one last thing. When we're done here, our clerk has the last unredacted documents. If you saw the notice that came out from industry... We have some new ones. You can see him individually. The ones you received here are redacted. They are considered public. The ones you're going to receive are unredacted and are confidential to the MPs only: not for staff, not for your whip's office, etc. Please see our wonderful clerk.

After that, if there's nothing else, the analysts or MOG will send out the dates as we get them confirmed. We also had the other motion for Treasury Board. We'll work around that. I'll leave it with the clerk and our analysts.

We'll see everyone a week from today.

Thanks very much. We are adjourned.

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