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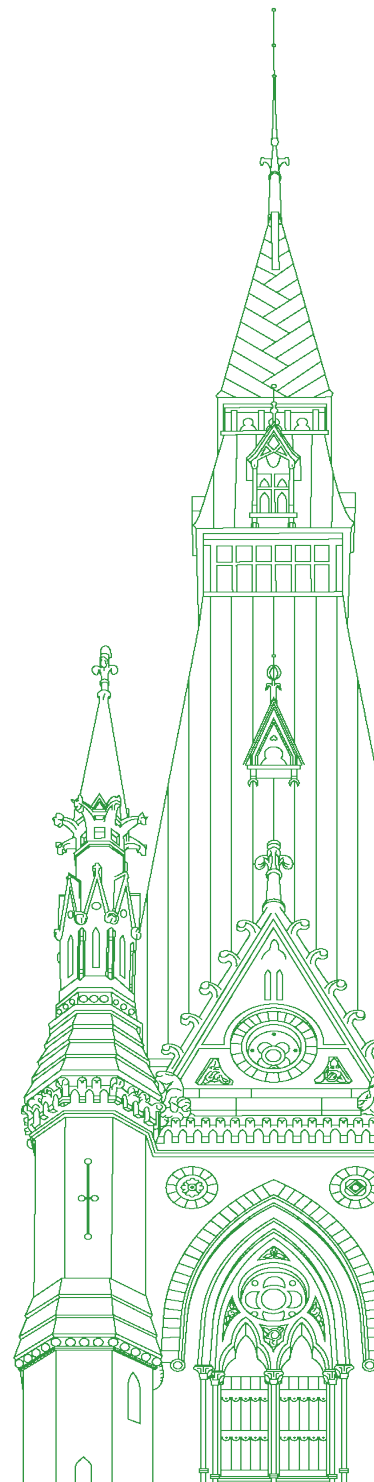
Standing Committee on Government Operations and Estimates

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Chair: Kelly McCauley

Standing Committee on Government Operations and Estimates

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• (1100)

[English]

The Chair (Kelly McCauley (Edmonton West, CPC)): Good morning, everyone. We are in session. Welcome back to OGGO.

Today we welcome back the Parliamentary Budget Officer and her team for the main estimates.

Welcome back. It's wonderful to have you with us.

If you have an opening statement, the floor is yours for five minutes. Please go ahead.

Annette Ryan (Parliamentary Budget Officer, Office of the Parliamentary Budget Officer): Thank you very much, Mr. Chair and honourable members of the committee.

Thank you for inviting us to appear today as part of your study of the 2026-27 main estimates.

[Translation]

I'm joined today by Mark Mahabir, director general and general counsel of costing and budgetary analysis, and Govindadeva Bernier, director of budgetary analysis. They headed up the work on our 2026-27 main estimates report published on May 7, 2026. I'm also joined by Caroline Nicol and Nora Nahornick, who are both adviser analysts.

The 2026-27 main estimates include budget authorities of \$502.8 billion. Parliamentary approval is required for \$230.4 billion. The current statutory authorities amount to \$272.4 billion.

These main estimates are the first since the government adopted a fall budget cycle. They include \$14.8 billion for the budget 2025 measures, out of the approximately \$20 billion in the budget 2025 expenditures to be listed in the 2026-27 appropriation bills. This amounts to about 72%. The Department of National Defence accounts for the largest share of the budget 2025 expenditures, at \$9 billion.

[English]

This morning, supplementary estimates (A), 2026-27, were also tabled. These include \$11 billion in budgetary authorities, including \$3.7 billion for measures announced in budget 2025 and \$358 million for measures announced in the spring economic update. My office will prepare an analysis of these supplementary estimates, and that will be published in the coming days.

As part of my appointment process, I committed to paying close attention to how budget measures are implemented—from their an-

nouncement through to their inclusion in these estimates and then, ultimately, their reporting in the public accounts. This is a central element of parliamentary oversight. I look forward to working with committee members on how to best support you in this.

Finally, we are simply happy to be here this morning.

[Translation]

We look forward to answering your questions.

[English]

The Chair: That's wonderful. Thank you very much.

We'll start with Mr. Patzer for six minutes, please.

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

Thank you, again, to the PBO and her staff for coming.

We really appreciate the work that you are doing.

I'm just going to start off the top, Ms. Ryan. At the last meeting, PSPC said that it's moving away from low bid because of the buy Canada policy, but it didn't have an estimate on the added cost. Is the added cost for taxpayers something that you can look at?

Annette Ryan: In terms of the cost of the policy, I'd have to think about what that would look like for an information request to the department and agency in terms of how they've documented this as a policy change for them and whether they plan to incorporate this within existing budgets. It would be my guess that they will work within existing costs for what they plan to procure and will target, essentially, quality versus price in how they're rolling this out.

It's not been part of our study to date, but I would offer that as an initial thought of how we might go at it. I'm happy to work further on that.

Mark or Govindadeva, do you have anything to add? No.

I'll pass it back to you, sir.

Jeremy Patzer: I appreciate that.

I think it's important that when the government has a fairly substantive policy, such as the buy Canadian policy, we need to understand what the cost analysis might be for that if it's moving away from a previous policy, which was low bid.

In your report on the main estimates, you expressed some concern around the debt servicing. There's roughly \$523 billion of federal market debt that is coming due by the end of 2027. It's basically at 1%, and current rates are roughly 3%. That's a pretty substantive increase. When you look at the current trajectory of the federal debt and the cost of servicing it—and we're seeing it going from 1% to 3%—what does that look like for taxpayers? What is the implication going to be for the public finances?

• (1105)

Annette Ryan: The question of digging into the government's debt profile is an important one, and it should be subject to parliamentary scrutiny. I think it reflects a couple of different factors, so we can start to discuss those a bit.

The government continues to run deficits. That, of course, adds to the debt every year. That sense of debt service charges going up in step makes straightforward sense. The part that is less well understood and that we could perhaps provide a greater profile on is the extent to which the government is using short-term debt versus longer-term debt and what that cost of borrowing will look like a couple of years out. There are these different factors that are driving that profile into the future.

I'll pause to see if some of my colleagues want to jump in with greater detail, versus the commitment that we would definitely like to dig more into that—

Jeremy Patzer: Briefly, does anyone have another comment?

Caroline Nicol (Advisor-Analyst, Office of the Parliamentary Budget Officer): I'd add that we look at all of the borrowing costs of the government. That increased interest cost is definitely a driver for public debt charges that we've seen.

Jeremy Patzer: Yes, because it's going up to 13% of government revenue that will be debt charges. Is that correct?

Annette Ryan: That's the ballpark figure. On a per capita term, it's rising from roughly \$1,500 per Canadian to \$1,900 per Canadian over the profile.

We've started to dig into different aspects of what it looks like from different perspectives. I think there's work to be done in terms of what the mechanics are of how the additional deficit figures are adding to the debt and how the government is managing money in terms of its short-term versus longer-term debt. It has an exposure that will, should interest rates spike, definitely put pressure on the debt-to-GDP ratio and debt servicing charges, which we don't have a lot of room to deal with under current plans.

Jeremy Patzer: The jump, though, from 1% to 3% is going to have a marked impact on any fiscal anchor that the government is going to rely on.

When you look at some of the creative accounting practices, such as changing the definitions of capital and operating expendi-

tures, there's growing concern around the implications they're going to have going forward, because there's still not a lot of clarity around some of those definitions. What impact is this ballooning cost going to have, even if we go with the government's creative accounting on these new terms?

Annette Ryan: Under the current track, I think it's specified, per the spring economic update. What's less specified is how much buffer room that leaves to respond to external changes to things like interest rates, which will throw that track off. In that case, we won't have the balance that is holding right now against the government's stated fiscal anchor of deficit-to-GDP.

There are a number of different aspects that we could model and provide some clarity on to OGGO, if that's helpful.

Jeremy Patzer: Yes. Thank you.

The Chair: Thanks very much.

Mr. Gasparro.

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

Ms. Ryan, thank you for being here.

Real GDP has been growing for the past two months. That is higher than the Statistics Canada estimate, which called for a flat reading.

Scotiabank's CEO, in his quarterly call yesterday, said investors are looking at Canada again because Prime Minister Mark Carney's "business-friendly government is trying to get things done." The International Monetary Fund recently stated that Canada will maintain the strongest fiscal position and the lowest debt-to-GDP ratio in the G7. The Global Infrastructure Investor Association, the GI-IA, in its spring 2026 pulse survey, identified Canada as "the most attractive infrastructure investment market [in the world] for the first time since the survey [began]". It goes on to say several factors are driving confidence in Canada, including a strong, nation-building, infrastructure agenda; faster approvals and delivery of major projects; growing opportunities in energy, transportation and digital infrastructure, and Canada's ability to attract global capital from large, institutional investors, such as sovereign wealth funds.

What does this tell us about the underlying strengths of Canada's economy?

• (1110)

Annette Ryan: Let's be clear that Canada has many strengths as a country and in its economy, and it's good to celebrate the resilience of the economy, which we recently profiled in our assessments of the spring economic update.

There are a lot of uncertainties and risks in the global context, including tariffs and the conflict in the Middle East, and what they mean for supply chains, oil prices and investor confidence. Seeing Canada navigating this is something we all want.

I think you've captured the aspect of profiling the strengths of the economy well. The goal for the parliamentary budget office is supporting parliamentarians in terms of where debate may be warranted, and that goes to the questions—perhaps more so than the idea that investment should drive growth and prosperity—of how the government is going about it. It goes to how parliamentarians can be supported with the amount of detail so that we can do our studies to give a factual basis about what that might mean in terms of the impacts on the economy and impacts on government finances.

We look forward to working with the government to support parliamentarians with this information.

Vince Gasparro: I appreciate that, Ms. Ryan. I'm connecting it to what you previously said to my colleague about how there were some questions about, for example, debt-to-GDP ratios, etc.

I just quoted the International Monetary Fund, which said we are in the best position in the G7. Some of the other statistics that I laid out for you are structural benefits to the economy. These aren't some short-term market gains. These are real, tangible, structural benefits.

I am curious to know how there can be a dislocation between the comments you made to my colleague a few moments ago and the very clear structural benefits the Canadian economy is seeing.

Annette Ryan: I would make a few distinctions. I view the questions posed by your colleague as being focused on Canada's readiness for future scenarios, to respond to the ability to finance our existing debt going forward, based on the government's current fiscal tracks. That's a discussion.

Your questions and framing put that discussion in an international context. From an international perspective, you've quite rightly quoted how the IMF views these figures and certain profiles about how Canada holds up in the international setting.

Canada has worked very hard over many years to make sure that programs like our pension obligations have been funded in advance versus on a pay-as-you-go basis, which other countries face, and that also contributes to Canada's positive profile from a comparative setting. That doesn't mean it's necessarily the right answer for parliamentarians, who have already posed questions to me along the lines of what the right balance is for spend now, pay later. Also, there are a range of questions about how Canada looks comparatively when you add provincial debt and when you add the debt of households.

I don't in any way take away from how you framed issues, but I wish to provide context for a range of questions beyond the points you've made. They stand, but further context can broaden them.

• (1115)

The Chair: I'm sorry, Mr. Gasparro. We're just past our time.

Next is Madame Gaudreau.

[*Translation*]

Marie-Hélène Gaudreau (Laurentides—Labelle, BQ): Thank you, Mr. Chair.

When we return to our constituencies, our constituents often ask us questions. They want to know about our standing as a G7 country and our credit rating with the rating agencies.

To give them the current true picture, what should we tell them? Can we pat ourselves on the back or are we actually on shaky ground?

Annette Ryan: Basically, we have a solid aspect and a fragile aspect.

As Mr. Gasparro said, compared to other countries on the international stage, Canada has many strengths. However, it faces unprecedented risks. We're starting to see an increase in debt, which limits the country's ability to address these risks in the future.

My role isn't to say whether the debt level is right or wrong. My role is to support you and to see whether a per capita debt of \$35,000 is right for Canadians.

I can refer to a study from the International Monetary Fund. It shows that Canada differs from other countries in the sense that Canadians don't have a clear idea of the per capita debt level. Moreover, this gap for Canadians is greater than the gap in other countries.

It's fair to say that we're in a good position among the G7 countries. Yet that isn't the whole story. Canadians must decide whether they're comfortable with the debt amount and the change in that situation.

Marie-Hélène Gaudreau: We must add some nuance, because things fluctuate. People often wonder about our economic stabilizer. We're currently talking about employment insurance. We're talking about the ability of businesses to continue operating. We're focusing on buying Canadian, but some factories are shutting down right now. Many people don't understand and find this absurd.

It's fair to say that we must remain vigilant. Furthermore, we mustn't get too boastful when we hear such fine speeches.

I also wanted to draw your attention to the old age security program. I just saw that \$100 billion will be spent on this program by the end of the decade. I suppose that the demographic shift has an effect, given people's ages, but is there another factor? The main reason isn't that people will fall into the age range where they can collect benefits. Is there another factor?

Annette Ryan: I'll let Ms. Nicol respond.

Caroline Nicol: In general, the old age security program is relatively predictable. The projections are really based on demographics, in this case the number of Canadians aged 65 and over, and on the indexation of benefits, which basically ties in with inflation.

If we assume that inflation is around 2%, in the best of times, and that the population aged 65 and over is growing at around 3.5% a year, or slightly less, this growth would remain compatible with the projected expenditures.

Marie-Hélène Gaudreau: Where does Cúram fit into all this? This matter hasn't been settled. We haven't got to the bottom of it yet.

• (1120)

Caroline Nicol: In our case, we don't have many details about the Cúram situation and its impact on the old age security program.

However, when we looked at the spring economic statement for the 2025-26 fiscal year, we noted that the annual amount and annual growth were perhaps a bit lower than what we should expect, given inflation and population growth. We also noted a rebound of sorts the following year. We've taken note of this. We don't necessarily have any information regarding how this affects Cúram.

Annette Ryan: I would like to add something to Ms. Nicol's excellent response. We asked Employment and Social Development Canada for answers regarding Cúram and its impact on benefits. We'll continue to monitor this issue.

Marie-Hélène Gaudreau: Will you be sending this information to the committee? We would appreciate it.

Annette Ryan: I think that we received a partial response.

Marie-Hélène Gaudreau: Okay.

I have one last question.

We hear a great deal about per capita debt. However, I would like to talk about personal household debt. I'm neither a tax expert nor an economist, but the Bank of Canada is talking about a high debt rate. If the government is getting into debt, how can we correlate public finances with the debt of ordinary people? Does this have an impact? What can we tell people?

Annette Ryan: I think that—

[*English*]

The Chair: I apologize. You have about 30 seconds to respond.

[*Translation*]

Annette Ryan: We need to pay attention in order to respond to shocks. If families aren't doing well, but the government is fine, this raises questions about our situation compared to the situation abroad.

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

[*English*]

The Chair: Thanks very much.

We'll go to Mrs. Jansen, but before she starts, we're actually cruising ahead pretty well. If everyone's fine, we can either add a couple of minutes to each of these interventions or add one more intervention at the end. Just let me know.

Please go ahead.

Tamara Jansen (Cloverdale—Langley City, CPC): Since, in the main estimates, we see billions in housing-related spending, I just want to focus on the report you did on buy Canada. My first question is this: Given that CMHC already existed, with the myriad other housing financing powers and so forth, did the government need to create Build Canada Homes at all?

Annette Ryan: We've had a request from Senate finance, I believe, to look at the ensemble of programs that support housing.

Do you want to give a little thumbnail on that, Mark?

Tamara Jansen: I'm just looking for a quick yes or no. You're saying you're going to look into it. That's what I understand.

Annette Ryan: We have some studies looking at the range of things that are out there supporting housing.

Tamara Jansen: Okay, so my next question is, basically, has the government demonstrated that Build Canada Homes will deliver housing faster than what CMHC was already capable of delivering?

Annette Ryan: We've done some estimates on this.

Govindadeva or Caroline, do you want to take it?

Govindadeva Bernier (Director, Budgetary Analysis, Office of the Parliamentary Budget Officer): Our understanding, first of all, is that it seems that most of the affordable housing responsibility is going to be switched to Build Canada Homes, so—

Tamara Jansen: Okay. I'm sorry. It's just because I have super short.... I was hoping that you had a quick answer. You're saying affordable goes to—

Govindadeva Bernier: Our initial reports showed that, at least for now, it doesn't seem like it's going to move the needle much. That's the result we had.

Tamara Jansen: Okay.

Last night, Liberal MP Leslie Church stood in the House and said:

We are building big, we are building bold, and we are building now. We are building at a scale not seen in this country since the end of the Second World War. We are building 500,000 homes....

My question is this: If Build Canada Homes is expected to add only 26,000 units over five years, does that fall short of the government's public promises, and do those numbers align with the member's assertion from last night?

Annette Ryan: I think you've captured the key figure that we've estimated previously of—

Tamara Jansen: Do you mean 26,000?

Annette Ryan: —26,000 being the impact of that program. I think we've also done work recently to identify the gap in homes versus demographics—

Tamara Jansen: I'm more just asking whether the number the member stated and the number we're seeing align. They don't appear to align to me.

Annette Ryan: We're not seeing it yet. Housing starts are, roughly, pretty flat.

Tamara Jansen: Okay.

Since Build Canada Homes was announced, and this government supposedly began building “big” and “bold”, as we heard last night, have national housing starts improved or weakened?

Caroline Nicol: I would say that, in the last six months or so, the housing starts have been on a downward trend, generally.

Tamara Jansen: Okay.

Is Parliament currently being given a clear breakdown showing how much Build Canada Homes will spend on admin versus actual housing construction, yes or no? Have we been given a number?

• (1125)

Govindadeva Bernier: Yes. In our report we had an estimate. I don't remember the number off the top of my head, but the administrative and overhead costs were in the report.

Tamara Jansen: Okay.

Can Parliament currently determine the projected cost per housing unit under Build Canada Homes?

Govindadeva Bernier: We could potentially go back to the numbers in the report, take that administrative cost and divide it by the number of units we believe are going to be built.

Tamara Jansen: This is what I have here. If Parliament doesn't have a clean dollars-to-doors breakdown of the \$13-billion project, and housing starts are drastically falling across the country, could we say this program isn't performing as promised?

Annette Ryan: I think the target of 500,000 homes has not been met yet. However, with the fact that Canada's population is now in decline, I think that comes against market forces of whether the drop would have been smaller—

Tamara Jansen: I'm sorry. I have a very short time.

If housing starts are weakening while federal housing bureaucracy expands, should Parliament question whether the current ap-

proach is working? I think that's what you were speaking to. Should we question it?

Annette Ryan: That's absolutely the role of Parliament.

Tamara Jansen: Would it be fair to say Canadians were promised a housing construction boom, but Parliament is currently being asked to approve billions of dollars without clear evidence that those targets will actually be met—or should be met?

Annette Ryan: We'd certainly like to see more on the plans and the specific target path, yes.

Tamara Jansen: I have just one more question. Should Parliament expect clear performance metrics tied to housing completions before approving large increases in housing-related spending?

Annette Ryan: It would be good to see targeted performance metrics.

Tamara Jansen: At what point does—

The Chair: Ms. Jansen, that's your time.

Madame Rochefort.

[*Translation*]

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

[*English*]

Thank you for this opportunity to chat. I was glad to hear your comments recognizing that the spring economic statement spoke to the fact that Canada is resilient. That's an excellent comment.

I'd like to come back to the questions raised by my colleague a moment ago, when he spoke about the Global Infrastructure Investor Association's recent poll, which places Canada at the top of the list—in fact surpassing Germany, and surpassing the United States for the first time. That's pretty remarkable. In the report, the association highlights Canada's nation-building program and the government's announcement of a new sovereign wealth fund. I spoke in the House recently on this particular topic, the opportunity for Canadians to be all in and support Canada. The wealth fund will partly be used to co-fund infrastructure projects alongside private sector partners.

We must remember that we're one year into the mandate of this new government. As we speak, sometimes I sense the impatience, but it does take time, as there is a natural evolution to all of these various initiatives.

I do want to point out that today the Prime Minister is in New York. He said yesterday that he would be there for exactly that particular reason, meeting with the business community and for investment purposes. I was impressed in recent weeks when Shell announced the \$22-billion purchase of ARC Resources. Yesterday, in my own riding, the International Tactical Training Centre announced the purchase of six advanced jet trainers.

I find there's a lot of evidence of support and interest in Canada from an investor's perspective. This fall we will be holding a very large investment summit, the first ever.

I'm interested in your thoughts. I know you've touched on it, but I think it is worthy of further elaboration. It's such an important development for our country, and so many parts of the world are paying attention to Canada and the opportunities here. I think, when we talk about expenditures and so on, this has to be an important element in that discussion. I'd like your thoughts, please.

Annette Ryan: The government has been clear that it intends to use available fiscal room in a way that favours investment. I think it is absolutely good news that international investors' sentiments are starting to turn towards Canada. That investment activity looking towards Canada is good news.

What we have been trying to highlight is that the translation of that investment and financial space into real projects, jobs and investments for and within Canada is the piece that we would really like to see more about, so that we can provide more concrete analysis of how it's playing out in Canada's real economy in addition to what's going on with sentiment in the financial world.

• (1130)

Pauline Rochefort: Thank you for that. Certainly for me it does support the notion that it is time for our country to be bold.

I want to come back to the spring economic statement, which suggests that we have a strong platform on which to be bold as we move forward as a country. The spring economic statement pointed out that we have a AAA credit rating from S&P and Moody's, the lowest net debt-to-GDP ratio in the G7, the most competitive long-term interest rates and second-fastest-growing economy in the G7—growing twice as fast as Germany and Japan and three times faster than Italy—and the second-lowest deficit-to-GDP ratio in the G7.

You touched on the IMF. Basically, the IMF does most of the economic assessments of most countries in the world—I think with the exception of four—so they do take into consideration the nuances, as you pointed out, between countries as they provide statements overall.

What are your thoughts on Canada's position overall from an international stance?

Annette Ryan: Good news is good news, but in terms of the real economy picture, the government set as a priority to improve productivity and competitiveness, and other similar statistics—such as Canada's productivity, business investment, research and development and a whole suite of measures of how Canada's real economy is doing—paint a less rosy picture. We look forward to working on that translation of strategies and objectives to real plans and projects in specific parts of the country and specific industries.

The Chair: Madame Gaudreau, please go ahead.

[*Translation*]

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

Let's talk about this. It's one thing to have ambitions and a medium-term and long-term vision. However, COVID-19 came along. These days, we have the war in Iran and the whole geopolitical situation, not to mention Mr. Trump.

In all seriousness, do we have a strong enough backbone to face another period of turbulence? Things aren't going well. We can say that we're currently in a position to respond. However, people are worried.

What are your thoughts?

Annette Ryan: I think that it comes down to different margins.

Regarding tax room, we already talked about the fact that we need flexibility to respond to shocks.

To understand the point of the government's argument, I think that we need to look at whether the goal is to build broader prosperity and to increase GDP in order to provide more flexibility. That's the government's strategy.

I think that the parliamentarians' questions concern the implementation of these objectives and strategies and the process of making sure that they actually work in reality.

Marie-Hélène Gaudreau: I find one thing a bit difficult to see and understand. I'm the only one who can talk about it. I'm not looking for power. I don't care whether I have it or lose it.

We're currently studying the “buy Canadian” policy. I asked a question to find out where things stand with development of our industrial sovereignty and all that. We're really talking about a purchasing mechanism here. Yet we know that, in a democracy, many changes occur. Basically, we make medium-term projections. How can we follow up on them when another election comes along and we need to start all over again or rebuild what has been done? Personally, this really scares me. People are worried about this too.

Do you think that having a good amount of leeway is important?

Annette Ryan: I think that this constitutes a sound principle that has proven its worth in the past.

I believe that Parliament's role in overseeing government expenditures includes the task of ensuring that the expenditures incurred will help to achieve the promised and expected results. Without this oversight, we can spend money without producing results. This poses one of the most serious risks in the government's tax plan.

• (1135)

Marie-Hélène Gaudreau: Thank you.

[*English*]

The Chair: Thank you.

Mr. Gill, you have five minutes.

Harb Gill (Windsor West, CPC): Thank you, Chair.

Thank you, folks, for being here.

For the past month, you've had the opportunity to review the government's books, Ms. Ryan. What has shocked you the most about the government's fiscal planning—or lack thereof—once you gained access to these numbers and the assumptions behind these projections? To put it another way, what's keeping you up at night as our country's watchdog? I ask because many Canadians are facing serious issues and insolvencies to the same levels as in 2009. That's what's keeping the rest of the country up.

Annette Ryan: Let me start with a positive element. One thing that's shocked me is the goodwill and responsiveness of many parts of government to our requests. There is a good relationship and there is a willingness to provide the answers to Parliament. That's a positive surprise.

In terms of what keeps me up, it is absolutely the idea that each year the government is spending \$500 billion ostensibly towards services for Canada and Canadians. The connection between what is spent and what is realized has gotten weaker through time.

We should be able to give Canadians, who are facing all the affordability challenges and economic and business uncertainty, as you quite rightly describe, a better sense of how all of that government spending helps them individually and what they can expect for their tax dollars. The idea is that there is accountability and transparency. Absent that, we are really facing some serious risks for the country in a very turbulent time with many risks on the horizon.

Harb Gill: We are worried about temporary deficits. They are supposed to eventually shrink, yet the deficits appear to be permanent. Based on what you have seen so far, is there a credible path back to fiscal discipline, or is that a notion we have abandoned?

Annette Ryan: There is a path that will deepen our balance. The government has outlined that it intends to spend less through time. The comprehensive expenditure review is meant to be part of that. Deepening that look at what programs are not delivering is something that is part of that path back to balance.

Certainly, with the spring economic update, we saw an improvement in the government's overall fiscal position. Rather than invest that improvement in either repayment of the debt or tax reductions, the government chose to increase spending again. That has been the demonstrated path with subsequent budgets. That path doesn't lead us necessarily back to the path you described.

Harb Gill: Ms. Ryan, I'm saying that there's zero fiscal discipline from these folks. Whatever money they are generating, they're quickly spending. They're not really focusing on servicing our debt or reducing our debt load so that future generations don't have to pay for what we are doing right now. I don't see anything from this government, especially based on your testimony, that shows that it actually does have a fiscally disciplined approach. Whatever it's gained, it's put right back in.

Annette Ryan: The government has announced two fiscal anchors. Deficit as a share of GDP, which it's meeting, isn't as stringent as debt as a share of GDP, which it's going to increase and decrease according to spending tracks. It has a second fiscal anchor, which it says it has met, but public definitions are not available, so that limits the extent to which we can see whether it's on its own track or not.

I'll hold it there. I think you have a different line of questioning, and I might not be hitting it.

• (1140)

The Chair: Next, we have Mr. Danko.

John-Paul Danko (Hamilton West—Ancaster—Dundas, Lib.): Thank you, Chair.

Before I go into questions, there was some discussion at the last committee meeting about having Minister Lightbound appear before committee in the context of buy Canadian. I did have an opportunity to take that back and talk to the ministry. The consensus is that we are interested in some additional meetings on buy Canadian.

I think there is consensus that this will likely be the will of the committee. This would then push us into the fall session, at which time the minister could appear.

I wanted to give that update to the committee.

The Chair: Thank you.

John-Paul Danko: I have three questions. I'm not sure I'll have time to get to all of them.

I want to talk about our government's reshuffling of the timing of the budget and changing how the budget is reported to separate out capital and operating costs in investments and expenditures.

The first thing is on having the budget in the fall instead of the spring. I worked in construction for many years. Budgeting and economics in Canada are still very seasonal. You set your budget in the fall, you're doing your tendering during the winter, you contract awards, and a lot of that work happens in the spring and summer months. It aligns with standardized business practices.

I want to give you an opportunity to help us understand how that has made your job different or better. What should we expect moving forward in the alignments between what the budget is and what the actual estimates and mains are?

Annette Ryan: Thanks for that, Mr. Danko.

I think the shift in the budget timing will allow a greater alignment of the budget, main estimates and supplementary estimates. That profile gives a lot more smoothness toward government planning, spending and so on.

We did speak to this in our report that came out on the main estimates.

Govindadeva, do you want to pick that up?

Govindadeva Bernier: Indeed, in the main estimates this year, we actually have \$14 billion of budget measures. In the past, when the budget was in the spring, we would usually see budget measures only in the supplementary estimates period. Those are typically tabled in the fall. That's an improvement for sure. We can already start tracking.

That \$14 billion represents only about 70% or 72% of the total planned spending on budget measures in the current fiscal year, as we are in 2026-27.

Yes, there's a difference. It's going to allow us, by the end of the year, to see if we've reached all that budget spending that was planned.

Actually, in the supplementary estimates (A) this morning, there's another \$3.7 billion in budget spending. Now we're getting close to 90% of the announced budget spending that's been tabled in the estimates so far.

John-Paul Danko: I think that's really good news and something to highlight, especially when we're talking about government accountability and transparency. Aligning the budget to better enable accurate estimates is really important, to make your job as easy as possible and to hold us, as a government, accountable.

I also want to talk about the separation in reporting that separates out capital and operating expenses. When I was at the City of Hamilton, we did this exact exercise of separating out operating and capital costs, with a \$2.5-billion annual budget.

Everybody who works in business is familiar with this. This is how all businesses do their budgets. It's bizarre that governments haven't done this until now.

In household budgeting, people are very familiar with the differences among their capital expenditures—house, investments, vehicle and things like that—and their day-to-day spending.

My question is, moving forward with that differentiation between capital and operational, how can we make sure that it is as transparent as possible?

How will that impact your evaluation of the government's performance?

• (1145)

Annette Ryan: I think the government previously had very solid definitions of operating and capital expenditures from an accounting perspective. The government's new plan to hold itself to account with a fiscal anchor that balances operating spending with operating revenues is something that could advance us forward. It would be further advanced if the government would share its definitions of what those terms are.

The Chair: Thank you very much.

We're now going to go to Mr. Patzer and Mr. Lauzon, for five and five. We'll finish with Madame Gaudreau for two and a half minutes.

Jeremy Patzer: Thank you very much, Mr. Chair.

I want to note that Finance Canada said that it takes the IMF report that's been mentioned numerous times this meeting “with a grain of salt”.

When you look at a lot of the numbers over the past decade... For example, over \$1 trillion of foreign direct investment has left Canada, which means that for every dollar of investment in Canada, two dollars left. I think that when they look at that kind of a track record, that's why they're looking at that IMF report and saying that it's not quite so rosy.

That's having a substantive impact on Canadians, too. We're looking at some of the insolvency numbers. There's a higher rate of Canadians facing insolvency than there has been since 2009.

Are you seeing some of those trends and concerns in any of the work you're doing?

Annette Ryan: There's a lot in what you've captured there. I'd rather put it in a forward-looking perspective. I would see a lot of merit in building dashboards that would help us take different views on the government's assertions about the positive parts of our economy balanced with areas where maybe there are more clouds and concerns.

The aspect of bankruptcies is clearly in the space of affordability and overall business climate and health. I think balance is good. Let's shed more light on both sides of the complexity that is the Canadian economy.

Jeremy Patzer: When you look at household debt, so non-mortgage debt, for example, it has reached \$43,300 in the first quarter, up from \$40,200 two years ago. Some of these numbers are pretty alarming and pretty staggering, when you look at how Canadians are paying for things beyond their mortgage.

Another example is that, among homeowners, average non-mortgage debt reached \$82,000, up 19% compared to two years ago. Those are alarming numbers. I know there are some pressures such as the cost of a vehicle, for example, which is at an all-time high, but Canadians are using debt services at a higher and higher rate.

Again, for all the grand talk about how Canadians have never had it so good, as we're hearing from the government, the data shows a completely different story. This is why I brought up the point about the federal market debt coming up for renewal from 1% to 3%. Canadians are seeing, for example, their mortgage rates go up and increasing. When you look at mortgage renewals, a substantial number of mortgages are up for renewal over the next year or two, and they will be coming in at much higher costs.

When you're looking forward, as you said you want to do, and you're seeing the state of the cost of servicing debt at the government's level but also at the consumer level, how concerning is that projection for the average Canadian, when that's what they're faced with?

Annette Ryan: I would say that is quite concerning. It speaks to the question earlier about the risks that both households and governments face. If there were to be a significant increase in interest rates, it would be very difficult for many households to absorb, for exactly the reasons you just described.

If at that same time the government's fiscal position were worsening because of the way that it has structured its short-term versus longer-term debt, that could be a situation where both households and the government are struggling to find balance. That's the type of buffer the government may not have if it is favouring further spending and further investments with any extra fiscal room, versus that type of ability to withstand shocks, especially to interest rates.

• (1150)

Jeremy Patzer: Right.

I want to change topics quickly for the last couple of seconds to your report on the FIFA World Cup. You said that there's an estimated \$128 million classified as capital expenditures. Should the rest of the funding for the FIFA World Cup, which is \$473 million dollars, be considered operational spending? How is that going to be classified?

Govindadeva Bernier: It will mostly be operational spending. A lot of it is security costs, obviously, because the RCMP is covering some of that. Public Safety, expedited visas, the Canadian Food Inspection Agency...a bunch of government departments are involved with some level of operating spending.

The Chair: Thanks very much.

Mr. Lauzon, welcome. The floor is yours for five minutes, please.

[*Translation*]

Stéphane Lauzon (Argenteuil—La Petite-Nation, Lib.): Thank you, Mr. Chair.

I want to thank all the witnesses here today.

A number of good questions have been asked today. I'll take the liberty of asking a question that goes into a bit more detail. Your remarks really inspired me to ask this question. You spoke at length about the need for monitoring and the measures that should be implemented when the government is facing a precarious situation. You clearly described the international geopolitical situation.

Given that a number of government departments need to speed up requests, can you reassure Canadians and this committee by describing the measures in place to maintain effective oversight and to properly respond to government requests?

Annette Ryan: I think that some protocols remain in the government realm. I won't go into these mechanisms now.

However, I'll use your question to talk about transparency for parliamentarians with regard to budget initiatives and their implementation in the main estimates. In this particular situation, I think that developing the ability to track government promises and initiatives in the budgets for each department, agency or organization makes a great deal of sense. This would give parliamentarians the opportunity to ask ministers and deputy ministers questions when these officials speak about the main estimates and to ask for updates on these promises and commitments to achieve specific and concrete results for Canadians. I want to build this type of information base for you, the parliamentarians, together with—

Stéphane Lauzon: Good.

I'll pick up on the comments made by my colleague, Ms. Gaudreau. She clearly demonstrated the highly precarious situation that the government is facing. On that note, I would like to understand your analysis. At the start of your remarks, you said that we needed to prioritize certain areas. However, given the current situation, the federal government's priority should be to ensure greater preparedness for a possible future crisis.

Do you have any mechanisms in place to reassure us in the event of further setbacks? Obviously, we aren't in an easy situation, as you told us. We aren't in a bad position either, as you told us. Ultimately, there could be other setbacks. Let's not forget the actions of the president of our neighbours to the south. Do you have the resources to deal with a future crisis?

Annette Ryan: I would answer your question by saying that I received a range of similar questions yesterday evening in the Senate committee. We're trying to figure out how to make sure that we're on the right track.

These discussions, along with the discussions held on the sidelines of the meeting, focused on the need for more measures to identify our strengths and weaknesses, as well as the emerging risks, in order to pinpoint the areas that require attention.

• (1155)

Stéphane Lauzon: So you have indicators in place. I think that your team is ready to carry out analyses.

Do you have examples of indicators that help you project costs to some extent?

Annette Ryan: I think that the idea is to bring together indicators that show the factors that affect household debt, as well as measures of debt structure, as your colleague discussed. The idea is to enhance certain measures so that we don't just determine where the deficit stands by considering a percentage of GDP or by taking into account the debt-to-GDP ratio. I think that this limits the debate and the context considered.

Stéphane Lauzon: Thank you, Ms. Ryan.

[English]

The Chair: Madame Gaudreau, go ahead, please.

[Translation]

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

I really enjoy each meeting. I was going to ask you about the next steps, but my colleague beat me to it. I'll use my turn for a different purpose.

Mr. Chair, the Standing Committee on Government Operations and Estimates is responsible for overseeing procurement contracts. You and I both saw it. On May 12, we identified a concern regarding contract awarding by the National Capital Commission. I sent out a notice of motion on this topic. I would now like to move this motion. You received it in both official languages. The motion is as follows:

That the committee undertake a study of at least two meetings on the practices of the National Capital Commission with respect to procurement, contract awarding and compliance with obligations under the Official Languages Act;

that the study examine, in particular:

procurement and contract awarding processes;

equitable access for Quebec and French-speaking businesses to federal public contracts;

translation and bilingualism mechanisms within procurement processes;

the impacts of administrative practices on competition and fairness among bidders;

oversight and accountability mechanisms applicable to federal organizations;

that the committee invite, among others:

Honourable Joël Lightbound, Minister of Government Transformation, Public Works and Procurement;

Maryse Gaudreault, chair of the board of directors of the National Capital Commission;

Kelly Burke, Commissioner of Official Languages;

Alexander Jeglic, procurement ombud;

and any other witnesses deemed relevant by the committee;

and that the committee report its observations and recommendations to the House.

[English]

The Chair: Thank you.

Before I get to our speaking list, just quickly, if this passes, we might be able to squeeze one in.

I also see a tiny bit of overlap with some of these witnesses with buy Canada, and I'm going to suggest that perhaps instead of having, for the sake of argument, John Doe for one hour with buy Canada, if this passes, maybe we can do an hour and 20 minutes to kind of combine questions, just so that we're not calling the minister or anyone back many, many times.

We'll start with Mr. Danko.

Go ahead, sir.

John-Paul Danko: Thank you, Chair.

We're generally supportive of what is included in this direction here. There are a couple of things that are a bit problematic, though. Number one, as you just mentioned, on having the minister appear again, we want to make sure that we're as efficient as we can be with the minister's time. Also, with regard to the scheduling, we already have a number of studies that are ongoing. If this can be fit in, that's fine, but our preference would be that we do this work once the studies that are already under way are done.

If you'd be amenable to making those changes, we'd be happy to move forward with it now. Otherwise, we could adjourn debate and have some additional discussion off-line.

• (1200)

The Chair: Generally, it has been the history over the decade I've been here that we'll often do several studies at the same time, mostly around availability of witnesses, so I think we could probably do the same with this and accommodate, because we're going to have the minister in, probably, on buy Canada or the supplementaries.

I'm getting nods that we'd agree among ourselves that we will adjust it for that.

We can pass it as is, but we will know that we're not going to call the minister for PSPC separately on this if we have them in for buy Canada, the supplementary (A)s or something like that, and probably it will be in the fall, but we might be able to squeak out one before June, depending on witness availability for buy Canada.

Go ahead, sir.

John-Paul Danko: On that, just to make sure that we get the wording correct, I'm going to ask that we adjourn debate, and then we can have a finalized direction at the next meeting. We have a really busy second hour in this meeting as well.

The Chair: It's a dilatory motion.

I will say we do have the time if you want to. We'll bring it up in the next meeting, but I figured we'd do it now because the next hour is in camera for the CER, which is not going to bump other witnesses for other meetings. If, for the sake of argument, at the next meeting the PBO is here, this won't take up the time of the PBO. It's just delaying in camera.

Go ahead, Madam Clerk.

John-Paul Danko: Yes, please. Thank you.

The Chair: We'll have to vote on the motion to adjourn debate.

(Motion agreed to: yeas 6; nays 3)

The Chair: You voted to adjourn debate on your own motion.

The motion carries. The debate on that is adjourned.

We'll now go back to our regularly scheduled meeting.

We are done now.

We've excused our witnesses, or they can stay for the exciting vote on the main estimates.

[*Translation*]

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

I'll be honest. I understand English, but I listen patiently to the interpreters. Sometimes, I miss some bits. In all seriousness, in the last minute, I misunderstood and it's my fault. I thought that we had consent and that we were voting on the motion. I admit that there was a language issue. Do you really think that I would vote against my motion?

[*English*]

The Chair: We all knew your intent. It doesn't matter. You will see that we will record your vote as a no. Is that fine? It doesn't change things.

[*Translation*]

Marie-Hélène Gaudreau: Okay. Otherwise, I'll speak to you in French quickly and you won't even be able to understand me.

[*English*]

The Chair: I think we kind of understood, but we'll change it for official reasons. Thank you.

You're welcome to stay, but you can go.

We have the votes on the mains.

As we normally do, can I have UC to combine all the votes into one, please?

Some hon. members: Agreed.

The Chair: Wonderful. Thank you. I will accept that as a yes.

Would we like a recorded vote on these lumped together, or will they pass on division?

Jeremy Patzer: On division I would think is fine, because we know the result.

[*Translation*]

Marie-Hélène Gaudreau: I just want to make sure that I understand properly, given the slight delay resulting from the interpretation. Can you repeat what we're voting on? Help me, please.

• (1205)

[*English*]

The Chair: Yes, of course. This is for the mains. We have a page and a half of votes, but we're going to, as we normally do for the mains or the supplementaries, combine them into one vote. The question is whether we want to do a recorded vote or just agree on division. Mr. Patzer suggests, because of the make-up of the committee, that we do it on division.

We're fine? It's on division, then.

CANADA POST CORPORATION

Vote 1—Payments to the Corporation for special purposes.....\$22,210,000

(Vote 1 agreed to on division)

CANADA SCHOOL OF PUBLIC SERVICE

Vote 1—Program expenditures.....\$66,678,116

(Vote 1 agreed to on division)

CANADIAN INTERGOVERNMENTAL CONFERENCE SECRETARIAT

Vote 1—Program expenditures.....\$5,889,800

(Vote 1 agreed to on division)

CANADIAN TRANSPORTATION ACCIDENT INVESTIGATION AND SAFETY BOARD

Vote 1—Program expenditures.....\$36,525,038

(Vote 1 agreed to on division)

DEPARTMENT OF PUBLIC WORKS AND GOVERNMENT SERVICES

Vote 1—Operating expenditures.....\$3,550,793,813

Vote 5—Capital expenditures.....\$2,148,696,329

(Votes 1 and 5 agreed to on division)

NATIONAL CAPITAL COMMISSION

Vote 1—Payments to the Commission for operating expenditures.....\$87,056,281

Vote 5—Payments to the Commission for capital expenditures.....\$74,900,000

(Votes 1 and 5 agreed to on division)

OFFICE OF THE GOVERNOR GENERAL'S SECRETARY

Vote 1—Program expenditures.....\$22,179,234

(Vote 1 agreed to on division)

OFFICE OF THE PARLIAMENTARY BUDGET OFFICER

Vote 1—Program expenditures.....\$7,256,260

(Vote 1 agreed to on division)

OFFICE OF THE PUBLIC SECTOR INTEGRITY COMMISSIONER

Vote 1—Program expenditures.....\$7,147,940

(Vote 1 agreed to on division)

PRIVY COUNCIL OFFICE

Vote 1—Program expenditures.....\$224,349,806

(Vote 1 agreed to on division)

PUBLIC SERVICE COMMISSION

Vote 1—Program expenditures.....\$86,007,513

(Vote 1 agreed to on division)

SENATE

Vote 1—Program expenditures.....\$96,777,563

(Vote 1 agreed to on division)

SHARED SERVICES CANADA

Vote 1—Operating expenditures.....\$2,049,751,570

Vote 5—Capital expenditures.....\$157,721,344

(Votes 1 and 5 agreed to on division)

TREASURY BOARD SECRETARIAT

Vote 1—Program expenditures.....\$370,381,412

Vote 5—Government Contingencies.....\$1,000,000,000

Vote 10—Government-wide Initiatives.....\$32,594,649

Vote 20—Public Service Insurance.....\$5,040,187,474

Vote 25—Operating Budget Carry Forward.....\$3,000,000,000

Vote 30—Paylist Requirements.....\$600,000,000

Vote 35—Capital Budget Carry Forward.....\$750,000,000

Vote 50—Defence and Security Initiatives.....\$1,000,000,000

(Votes 1, 5, 10, 20, 25, 30, 35 and 50 agreed to on division)

The Chair: We are now going to suspend for a few minutes as we prepare to go in camera.

Mr. Gasparro, you're going to have to log out and log back in to a different Zoom.

We'll see you in a few minutes.

[Proceedings continue in camera]

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