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Mr. James Rajotte

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● (1530)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call to order the 16th meeting of the Standing Committee on Finance. Today, pursuant to Standing Order 108(2), we are studying the progress report on monitoring and oversight for the 2009 federal budget.

We have with us here today again Mr. Kevin Page, the Parliamentary Budget Officer.

Mr. Page, welcome back to the committee. I would ask that in your opening presentation you would introduce your colleagues at the table. You have up to ten minutes or so to make an opening statement, and then we'll go to questions from members.

Welcome back to the committee. It's good to have you back. Please begin at any time.

Mr. Kevin Page (Parliamentary Budget Officer, Library of Parliament): Thank you, Mr. Chair.

If I may, I will introduce our panel. Mr. Sahir Khan is our assistant parliamentary budget officer for expenditure and revenue analysis. Mostafa Askari is our assistant parliamentary budget officer for economic and fiscal analysis, and Mr. Chris Matier is our senior director for economic and fiscal analysis.

Members, if I may, today I'd like to spend some time again talking about the quarterly report but also focus my remarks on the economy and give you an update on the economic situation as well, relative to the budget.

Good afternoon, Mr. Chair, vice-chairs, and members of the Standing Committee on Finance. Thank you for the invitation to speak to you today regarding the government's budget 2009 progress reports to Parliament.

[*Translation*]

As you may recall, in late February my office released a discussion paper that suggested information to be included in these reports. In that note, we stated that, in the PBO's view, the central goal of these reports should be to provide Parliament with accurate, timely and easily understood information on three key issues: first, the implementation and progress of budget measures; second, recent economic and fiscal developments and prospects; and, third, assessing budget results relative to its guiding principles, that is of being timely, targeted and temporary.

On March 10, 2009, the government presented its first progress report. My remarks today update our previous work by highlighting what my office views as some successes from this report, some areas for potentially improved reporting to Parliament in future reports, and a brief update on the economic and fiscal context.

[*English*]

The key messages I want to convey to you today are the following.

The government's first report represents an important first step towards improving interim reporting to Parliament and will ultimately strengthen Parliament's budgetary oversight role. As a result, Parliament may wish to consider making permanent some type of progress reporting requirement to ensure this increased transparency for future budgets.

Second, the government's second report, in June, should address key information gaps that are highlighted in our updated monitoring and oversight framework. This includes identifying the uses of the $3 billion Treasury Board vote 35, including output and outcome indicators for all budget measures as well as key implementation risks, and finally updating the government's view on changes to the economic and fiscal outlook.

This leads me to my third key message. Recent economic data and the PBO's updated survey of private sector forecasters suggest a further significant deterioration in the outlook for the Canadian economy relative to budget 2009 fiscal planning assumptions.

[*Translation*]

As noted in our previous report, Parliament's ability to provide effective oversight of the government's economic action plan rests on timely, accurate and relevant information and analysis. To this end, my staff drafted an oversight and monitoring framework for the government's budgetary measures, based on practices identified from other jurisdictions, such as, the Government of New Zealand's regular, in-year public updates on key risks.

We are aware of the need to minimize any additional reporting burden on departments, so we suggested that the government use indicators primarily drawn from its own internal processes and external publications. This includes key indicators such as the objective risk assessment performed by the government as part of every Treasury Board submission, which is outlined on the Treasury Board Secretariat's website.

The initial monitoring and oversight template has now been updated with the additional data released by the government in its first quarterly report. A separate briefing note has been posted to our website that provides a more detailed assessment of results to date. I want to emphasize to you today the benefits of this type of in-year reporting and commend the government in its efforts to build a new leading practice in public reporting.

We anticipate that the government will have more time over the next quarter to compile the additional indicators for June's progress report. Depending on which information gaps remain after the second report, my staff may begin a more detailed assessment of potential higher risk initiatives, based on comparables derived from other jurisdictions and international best practices.

● (1535)

[*English*]

Given the continuously evolving economic situation, it is important that Parliament have access to up-to-date information on the economic and fiscal outlooks. The government's first progress report provided little information on how the Canadian economic outlook has changed since the budget was presented in January or on what these economic changes might mean for the fiscal balance. Therefore, my office has done the following three things. First, for the first time, we are reporting the PBO's near-term outlook for key economic output and labour market variables. Second, we have also updated our PBO survey of forecasters. And finally, we have used the Department of Finance fiscal sensitivities to give a rough sense of the current risk to budget 2009's fiscal projections.

The government's progress report states that recent economic developments are broadly in line with budget projections. In the PBO's view, however, since budget 2009 was tabled high-frequency indicators for both the Canadian and global economies have revealed further weakness.

The IMF now expects the global economy to contract this year, representing the first decline in the post-war period. Members, if you're looking at the slide presentation, slide 4 basically shows the outlook for the International Monetary Fund.

This global weakness has had two main impacts on Canada. First, it has reduced demand for Canada's exports. Second, it has sharply reduced commodity prices, and in turn the purchasing power of Canadian households and businesses.

Recent Canadian data show a decline in real output that accelerated in December, with the Canadian economy recording a 3.4% drop on an annualized basis in the fourth quarter of 2008 due largely to weak household consumption, business investment, and exports. It also revealed a continued slowdown in housing. And more than 200,000 jobs were lost in January and February 2009.

On slide 7, members, in the presentation, we have additional information on recent indicators.

The PBO currently expects real, inflation-adjusted gross domestic product to drop by about 8.5% in the first quarter of 2009 and by 3.5% in the second quarter. Again, we have some slides. Slide 8 actually provides the figures for our real GDP and the nominal GDP.

Because of the weakness in overall prices, the situation for nominal GDP is actually worse, with declines of roughly 15% and 4% respectively in the first and second quarters. Associated with this drop in output, the PBO expects that roughly 380,000 jobs will be lost over the first half of this year.

Turning to the economic outlook for 2009 and 2010, regrettably, I am once again reporting that private sector economic forecasts have been revised downward. These results, which now fully incorporate the forecasters' expected impacts of the government's economic action plan, suggest that the current Canadian recession will be sharper than assumed in budget 2009, with real output expected to fall further below its trend potential than in either the 1980s or the 1990s recessions. Slide 13 provides a historical perspective.

Nominal GDP, the broadest measure of the government's tax base, is expected to fall by about 4.5% this year, with roughly equivalent contributions expected from falling prices and from falling volumes. For the next two years, nominal GDP is now expected to be significantly lower than forecast in budget 2009, this despite the government's prudent decision to lower its growth assumption below its January survey average. Again, I refer you to slide 14.

With a weaker economy comes a weaker labour market. The PBO survey suggests a drop in employment of 2% in 2009, or roughly 350,000 jobs on an annual basis, with only a slight turnaround of 0.3% in 2010. Similarly, the unemployment rate is expected to rise further in the next two years. The survey average is for a peak of just over 9% in 2010, which is below that experienced during the past recession.

We have not had time to fully model the implied fiscal impacts of our new economic survey. Instead, we have applied the Department of Finance's fiscal sensitivities to the new outlook.

● (1540)

This analysis suggests additional downside risks to the government's budget balance forecasts in the budget of 2009, mainly because of lower tax revenues. The implied budget deficits are $38 billion for 2009-10 and $35 billion for 2010-11, compared with the budget projections of $34 billion in 2009-10 and $30 billion for 2010-11.

You may recall that the stimulus goals in the 2009 budget are to increase GDP by 1.9% and to create and maintain 190,000 jobs by the end of 2010. With that in mind, please let me now discuss three outstanding issues.

The first issue is whether the current stimulus will be effective. Thus far, the government and Parliament have moved in a timely fashion to approve budget measures. The government's first progress report states that approvals for 90% of the measures are expected to be in place for April 1, 2009. It will take additional time to get money out the door and fully implement these programs, many of which require cooperation from key partners, including other levels of government. Therefore, at this point, it is simply not possible to disentangle the incremental stimulus effects of the government's economic action plan. Indeed, no reasonable assessment can be made until these measures have been implemented and more time has passed.

The second issue is the potential need for additional stimulus in light of the fact that the average downward forecast revision in our survey during the past two months exceeds the estimated positive impacts of the government's stimulus package. This certainly suggests that even if the current stimulus measures have their full impact, Canada faces a larger economic challenge than was envisioned when the budget was prepared, but let me be clear: this statement on its own does not necessarily imply that more stimulus is required. As a small, open economy, Canada's recovery depends not only on the actions that policy-makers are taking to provide accommodative fiscal and monetary policies, but also, and crucially, on global economic and fiscal developments. I refer you to slides 21 and 22, which provide a historical perspective on the projected downturn relative to previous recessions in the 1990s and 1980s.

The final issue is whether the current stimulus measures are sustainable over the long term. In this regard the government's stated goal in the 2009 budget is to enact mainly temporary measures that will avoid long-term structural deficits. In our own previous work, the PBO has provided its rough estimates of the government's structural budget balance, which is what the government's budget balance would be if the economy were functioning at its potential. The government's own estimate of its structural budget balance is needed to meaningfully assess progress towards this goal.

Let me conclude by saying that these progress reports represent a historic opportunity to strengthen budget transparency regarding the implementation, oversight, and effectiveness of government budgets. Therefore, my office encourages Parliament to consider making permanent some type of progress reporting requirement to ensure this increased level of transparency remains in future budgets.

As always, we hope that parliamentarians find this work relevant and timely, and we look forward to any suggestions you may have to help us serve you better.

Thank you once again for the opportunity to speak to you today. I would be pleased to take your questions.

● (1545)

The Chair: Thank you very much, Mr. Page, for your presentation. Thank you for the information you have provided to all committee members.

Mr. McCallum, you have seven minutes for the opening round.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you, Mr. Chair.

Thank you, Mr. Page and colleagues.

I'd first like to comment very briefly that we in the Liberal Party support your work very strongly, and we will do what we can to ensure that your budget is restored to the $2.7 million a year that had been committed. It's not clear that the combined opposition can force that to happen, but our position is that we will seek to get a motion through the library committee requesting the government to increase the estimates in such a way that your budget promise is adhered to.

My first question is in terms of parliamentary scrutiny. As you may know, we in the Liberal Party have our own website now, onProbation.ca, but one thing we cannot do is monitor the extent to which the government gets the money out the door in the way it has promised to do on infrastructure and on Business Development Bank lending, for example, among other things. I don't see how outside groups, such as an opposition party or outside economists, can do that.

Would it be your intention to obtain that kind of information from government departments, such as Treasury Board, infrastructure, and so on? Have you spoken to government departments as to whether they would cooperate with you in providing such information? If so, what has been the nature of their response?

Mr. Kevin Page: Thank you, Mr. McCallum, for the Liberal Party's support for the PBO budget issue. We too would like to get it rectified as soon as possible to help us move and provide quality services to you in the future.

In terms of what we can do on the reporting side, what we released today and will be made available on our website, we've updated our detailed monitoring tables, both on the economic side and on the fiscal side. On the fiscal side, it includes all the measures that were in the budget on a program-by-program basis. We've broken down those tables and we've updated them for the authorities that have been passed already and further authorities that may be required. There are information gaps with respect to these tables, so we've highlighted those information gaps. They're available on our website.

These information gaps will deal with how the money will flow on a program-by-program basis. They will deal with the output indicators that are required on a program-by-program basis and the outcome indicators that are required as well so we can measure the impact assessment.

Hon. John McCallum: Okay, but one thing you don't refer to directly, unless I missed it. All those things you just described are very good, but first I'd like to know how many dollars, let's say in the month of April, in the month of May, in the month of June, the government gets out the door for infrastructure, for business credit, and for other things. Will you be able to get those numbers from the government?

Mr. Kevin Page: In terms of how the money will flow, I should say in answer to your earlier question what officials we have met with recently. I have met with Minister Flaherty and Minister Toews. We talked about a role the PBO could potentially play in terms of the implementation framework and even potentially looking at risk assessments on some of these programs in terms of getting the money out the door.

We made the offer that we would be willing to do that, but we would need to have access to appropriate information. I think it's fair to say that both Minister Toews and Minister Flaherty took that under advisement, and we haven't heard back. I made the same point more recently with Mr. Wright, the Deputy Minister of Finance. I met with him yesterday, indicating that we can play with the role. So we've made the offer.

We think if the support is there from Parliament for us to play this role.... With our recent quarterly report we laid out a framework. We can make sure that framework meets your standards, the needs of all parliamentarians, and that it has a month-by-month flow of information. But I think if there is support around this table and from the government side, we're certainly willing to play that role.

● (1550)

Hon. John McCallum: All right, because we may well come back with such a resolution, but given recent events, we're not inclined to either trust the government's numbers or believe they will deliver, even following resolutions. What I'm hearing you say, and Mr. Menzies can clarify when his turn comes as to whether the government will support you.... It seems to me Parliament is dependent in a significant way on your good offices if we are to have any chance of finding out in a neutral way which dollars have gone out the door. From what you're saying, it sounds as if there's still more work to do on that file.

If I can now shift to the economy, I think what you're saying for the first quarter of 2009 is quite dramatic, and that's the quarter that ends six days from now, so we're talking about it right now. You're saying that real gross domestic product in Canada this quarter will have fallen by 8.4%, I think you said. Is that a record, at least since the First World War?

Mr. Kevin Page: It's a record, sir.

Hon. John McCallum: I think that's a bigger drop than we've seen in the United States, at least so far in a quarter, and you're saying nominal GDP will fall by more than 15% in this quarter.

The Chair: One minute, Mr. McCallum.

Hon. John McCallum: Certainly those are shocking numbers. Are those your estimates? You can see from the table that the drop in GDP in the first quarter of 2009 you're projecting is at least three times bigger than what the budget projected, so three times worse than the budget not very long ago. Are those enormous drops in GDP your estimates, or are they the private sector consensus, or some blend of the two?

Mr. Kevin Page: It's a combination effort. We have surveyed eight private sector forecasters for 2009 and 2010 and the numbers we're presenting for the first two quarters reflect the monitoring we've done. We will be releasing a document early next week that will detail exactly what we expect for the first and second quarters. So we've basically overlaid with this an additional level of detail, because these, as you say, are historic numbers, so we will provide a very detailed tracking of what's going on.

What it does reflect, though, are a lot of negative forces that we're seeing coming through the fourth quarter, a very sharp decline, sir, in December of 2008. We have a number of high-frequency indicators for the first part of 2009, export indicators, manufacturing shipment indicators, data on retail sales, and we've seen the labour market numbers as well, so we have quite a bit of information now for the first quarter. But when you see the level of transparency it will provide in the first half of the year with the reports we'll release early next week, I think you'll be quite comforted in the level of detail.

So to back up, it reflects the private sector monitoring, plus our own detailed assessment. We've taken it a step further.

The Chair: Thank you, Mr. Page.

Thank you, Mr. McCallum.

Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Thank you, Mr. Chairman.

Good afternoon, Mr. Page, to you and your entire team. I congratulate you all on the excellent work you are doing, particularly as regards your budget. We can come back to that.

We will also definitely be in favour of complying with the original estimates so that you can get the $2.7 million necessary for your proper operation and so that you can adequately carry out your mandate. It is very important for democracy that you be able to continue to do so.

On page 4 of your presentation, you say that, even if the stimulus measures contained in the budget have their full impact, Canada will nevertheless face a situation even worse than expected. You say that it isn't clear to you that more stimulus is required.

Can that mean that the proposed stimulus should be better targeted and be provided with an adequate budget to be effective?

● (1555)

Mr. Kevin Page: Thank you for your question, Mr. Laforest.

I'll start by talking about the problem concerning my budget. As a result of budget restrictions, the PBO will have to—

[*English*]

We have to let go, effectively, some of the staff that we have right now.

[*Translation*]

It is absolutely necessary to obtain a permanent resolution for our budget.

You asked a very important policy question on the subject of the output gap in our present economy. In our minds, there is no doubt that the situation and economic forecasts are much clearer than the last budget estimates for 2009. Consequently, the output gap, that is the difference between potential economic growth and forecast economic growth, is greater now.

We can consider the need to add more stimulus to eliminate that gap, but the budget also has to be implemented now. So you have to consider those two elements.

Mr. Jean-Yves Laforest: I'll give you an example. In the budget, the government introduced a measure designed to add five weeks to employment insurance. However, based on the statistics from recent years, approximately 25% of employment insurance claimants will be able to receive those additional five weeks. An effective measure would have been to completely eliminate the two-week waiting period.

You say that more stimulus isn't necessarily required. Right away, that isn't what we mean. However, in your future report, will you mention that the measures proposed by the government could have been better targeted? I'm thinking, among other things, of the two-week waiting period for employment insurance. If people could receive benefits in the first two weeks, that would also be a significant economic stimulus.

Mr. Kevin Page: If an agreement was reached to change and enrich the employment insurance program, that would indeed be an example of stimulus. I'm not very comfortable talking about the various options in the current context. I'm much more comfortable talking about economic forecasts. With regard to employment, there is a major difference between the economic forecasts in the budget and our current forecasts.

[*English*]

At this particular juncture, we're looking at an additional 250,000 jobs lost relative to the budget track. Effectively, that's a quarter of a million more people unemployed in 2009 relative to the budget track.

So when you think of the severity of the recession in that kind of context, and potentially the need to do something, I'm just.... I think it's more our job to provide that type of context in terms of the outlook than to suggest potential policy implications.

[*Translation*]

Mr. Jean-Yves Laforest: In the first part of your remarks, you said that, in its second report, the government should have a better idea of ways to use Treasury Board Vote 35. I think that's very important. We know that the Auditor General herself expressed major reservations about that situation.

In your opinion, what is the best way to determine that? Is it on a day-to-day basis? I'd like to know your opinion on that subject.

[*English*]

Mr. Kevin Page: Mr. Laforest, when I had an opportunity to meet with the President of the Treasury Board and the Minister of Finance, I did make the point that I thought it was absolutely necessary that a list be provided to parliamentarians on how vote 35 would be used. As I noted earlier, we would be willing to provide a due diligence on Treasury Board Secretariat's risk assessment as they provide it, but we would need access to information.

In terms of Mr. McCallum's point in looking at the flow of that money, I think it should not only be identified in the next quarterly report, but whatever system we use to monitor the flow of money and its impact indicators, both in an output sense and an outcome sense, should be incorporated in the next quarterly report. I think there's an opportunity to integrate the report. I think we do need to identify it, and as we move forward on the next quarterly report the items we spend the money on should be identified.

● (1600)

[*Translation*]

Mr. Jean-Yves Laforest: The Standing Committee on Finance has agreed to a motion to have you come and testify after the government tables every progress report. Would you have liked to be provided with a specific or defined framework with which to report to us on the government's report?

[*English*]

The Chair: Just very briefly, Mr. Page.

[*Translation*]

Mr. Jean-Yves Laforest: Would you like to be given broad outlines or a more specific mandate?

Mr. Kevin Page: For the second quarterly report?

[*English*]

We have a detailed report available on our website now. The tables are so detailed that we didn't photocopy them today because I think it would have been a distraction. But we do have ideas on what the level of detail could be. We were impressed with the level of detail that was provided in chapter 4 of the quarterly report. I think the government should be applauded for that level of detail. We would like to see that detail moved forward so we can capture Mr. McCallum's point. We've seen how money is being tracked. We also look at the impact assessment on the economy. So we do have a good idea, sir.

[*Translation*]

Thank you for your question.

The Chair: Thank you very much.

Mr. Menzies, please.

[*English*]

Mr. Ted Menzies (Macleod, CPC): Thank you, Mr. Chair.

Thank you, Mr. Page and your colleagues, for appearing here today.

If Mr. McCallum can talk about his party, I might remind him that it was actually the Conservative Party that established this position in budget 2006 because we saw a need for it, and we maintain that, despite what you might hear from the suggestions otherwise. This is very important; it's critical, and even more so in these economic times we're facing. And the more information members of Parliament can get, the better job they will be able to do in representing their constituents. So we applaud your work.

There was some discussion here—and you referred to it as well in answering Mr. McCallum's question—about actually tracking how the money is going out. We have a website that will explain where and how the money flows, so it will be.... We have a website on what's going on and how our goals are being achieved in Afghanistan. I pushed hard for that. The minister thought it was a great idea, and we now have a website to follow that and follow where the money is going. So we are being accountable, and we think that's very important.

Just after your last appearance we were wondering about making sure that you got the information you requested. I put in a request to the finance department just to make sure. I had suggested that I thought you had received all the information you had requested, and at that time they said there were no further outstanding requests. I understand there is one now that hasn't been fulfilled, but there is still the question mark about cabinet confidentiality. So just for your information, whatever isn't under cabinet confidentiality will be coming.

In your March 11 report you made some comments using GDI numbers rather than GDP numbers. Could I get you to explain why you used those numbers in comparing Canada and the U.S.? You said that in the fourth quarter real GDP, the level a year ago provides a better reflection of recent trend growth, and you suggested similar performances in the two economies. As a little bit of editorializing, if I can make a comment, you said that the GDI numbers were plunging—I'm not sure if an economist needs to use that harsh language, but that's your decision—15.3%, ten times more than in the U.S.

That is a pretty strong suggestion, given the fact that our GDP numbers don't reflect that. May I ask why you used GDI numbers in that report, and in this one you seem to go back to the GDP numbers? Can you explain the difference as it's reflected in the strength of our economy? We're projecting to come out of this 30% debt-to-GDP ratio, and the Americans, arguably, aren't far short of 100%. That's a huge difference. Yet your GDI numbers are showing something different. Can you explain that to me?

● (1605)

Mr. Kevin Page: Sure. I'll address your earlier points about the websites and the information request and then I'll talk about the economic question.

First, I think the government should be applauded for the kind of transparency that we saw in the first trimester report, and particularly on the aspect of the report that went through and showed how the authorities are being updated so the money could flow. I don't think the government was really in a position to go beyond that because authorities were just being put in place, but there's some complimentary language in our reports today about that level of transparency and that level of detail.

For us, from the point of view of setting the standard, if we can maintain that standard as we move forward and we're showing the money flowing on a program-by-program level basis at that level of detail—the point Mr. McCallum raised—I think that would actually go a long way to satisfying everybody. Probably it would really be a best practice internationally in the world today. So what we've highlighted today are some potential information gaps. I think they're normal. They're information gaps not in the sense that we expect them to be in a first report but in terms of the second report. We didn't really see the indicators that you'll be using to assess either the flow of the money or the impact assessment of those programs once in place, what they're intended to achieve, but I'm sure that hopefully they will be in the next report. So we're just putting a marker down.

In terms of information requested of the Department of Finance, sir, thank you again for your support. We still have not received.... We have made repeated requests. When we provide these economic provisions and do our analysis, we make them available to you. And most of us here and certainly on this side of the table all spent many years at the Department of Finance. In fact, with me I have two of the senior directors of forecasting at the Department of Finance, Mostafa Askari and Chris Matier. But we still have not got back the information we requested. We're familiar with what is cabinet confidence and what is not cabinet confidence. The information we want has actually been published in the past and was actually made available to private sector forecasters so they can do their work. We just want that same ability to have that same information. I made that point to Mr. Rob Wright yesterday, the Deputy Minister of Finance.

Sir, I want to respond to the economic point that you raised, why did we look at GDI and GDP, and are we moving away from it today in today's report. But first, I think more importantly, there's the issue of why look at different measures. I think what we tried to do in the March 11 report is provide a broader perspective on what was happening in the fourth quarter from different perspectives. So we provided the numbers on GDP. We showed the 3.5% decline roughly on a quarter-to-quarter basis. We showed the decline in nominal GDP, which is an over-double-digit decline on a quarter-to-quarter basis in the fourth quarter. We showed the decline in gross domestic income, which really is a measure of income that takes an account of commodity price changes really through the terms of trade, which is a measure StatsCan releases, and it's released by the statistical agencies in the United States. So we gave you three indicators and we provided them all. We wanted to give a more comprehensive view. We compared that both when you look at the quarter and when you annualize and when you look at the trends over the past year. So it's very backward-looking. There is no forecast involved in that kind of perspective.

Early in 2008, when the Canadian economy's output numbers were sagging a little bit, a lot of economists were looking at gross domestic income because they were saying that because of the high dollar and commodity prices staying high.... We were flagging that, saying this is a positive thing: it was supporting tax bases; it was supporting purchasing power. But what happened, and I think most Canadians have witnessed it, was the plunge in commodity prices, the plunge in oil prices and other commodities as well. That is reflected very much and is really picked up in that gross domestic income figure. But we wanted people to see what that looks like both from a quarter-to-quarter perspective and when you looked over the past year from a year-over-year perspective. So we made those numbers available to provide a broader perspective.

So in regard to purchasing power, because Canadians benefit so much by commodity prices, we wanted to give that broader perspective. We provide in our information, our presentation today, both—

The Chair: Mr. Page, could you just wrap up very briefly? Mr. Menzies' time is up.

Mr. Kevin Page: Information for all those measures has been provided again today, sir. So we're providing measures for the first half of the year, GDP, GNP, and GDI, gross domestic income, on a real basis.

The Chair: Thank you.

Monsieur Mulcair.

[*Translation*]

Mr. Thomas Mulcair (Outremont, NDP): Mr. Chairman, first, as always, it's a pleasure for me to welcome Mr. Page. It is a commonplace to say “your humble servant”, but not only is Mr. Page an extraordinary servant of this House, he also always presents matters in a disarmingly simple manner, and that is of enormous help to us in navigating this maze of economic difficulties.

I want to say how happy I was a little earlier to hear my colleague Mr. McCallum clarify—I'm going to be charitable—the successive remarks of his colleagues and say that they were not always very clear with respect to the Liberal Party's intentions concerning Mr. Page's office. So I'm delighted to know their new intentions. I find it a little more difficult to decode the government's message because Mr. McCallum said that he was not sure that the three opposition parties together could impose the necessary $2.7 million so the office can continue to operate. But I am certain of one thing: the four parties together can. So it remains to be determined whether our feeling that what was supposed to be the parliamentary librarian's spontaneous reaction, to try to strangle the Office of the Parliamentary Budget Officer, was in fact something that was done with a smile and the active or passive participation of the government party. Whatever the case may be, that doesn't prevent them from supporting us in our request.

Mr. Chairman, I'm going to explain to you why the situation is so difficult for everyone. Technically, there is undoubtedly no mistake, but today our agenda states that our first witness is the Library of Parliament. Formally, that is correct, in accordance with the structures of the Parliament of Canada: the first witness is the Library of Parliament, and it states the names of the persons here present today.

Next to you are two extraordinary associates, who are always there for you and for whom I have nothing but praise. But they are also employees of the Library of Parliament. So let's consider the absurdity of the situation. I have in my hand information prepared for the House of Commons Standing Committee on Finance by the Parliamentary Information and Research Service. What do we find in it? We find a series of suggested questions; these are the terms they use. So the Library of Parliament, through its employees, all equally competent, suggest to parliamentary committee members questions to ask their colleagues. I emphasize that they are colleagues, that they have the same employer. Clearly something is not right here.

I refer to the remarks by Mr. Wallace and Mr. Menzies, who recalled, a little earlier and very rightly so, that it is the Conservatives who have not only the responsibility, but also the merit of having created the position of parliamentary budget officer. Today we heard in the House of Commons that, when the Prime Minister was leader of the opposition, he said that obeying the will of Parliament was a moral issue. He was reminded of that because, two weeks ago, Parliament adopted a number of requests concerning employment insurance with respect to which the Prime Minister—that same individual who was leader of the opposition at the time—refuses to obey the will of Parliament. So the question is whether it is a matter of successive or actual morality. In the coming weeks, time will tell. I want to recall that the Library's Standing Joint Committee will be meeting tomorrow. That's a happy coincidence. We'll be there. I hope the official opposition will act on the good intentions announced a little earlier by our friend Mr. McCallum.

I wanted to ask Mr. Page a technical question. I wanted to know whether the new figures on the deficit, the forecasts that have just been received, and that are indeed quite alarming, include increased employment insurance costs. That isn't clear in my mind, but my impression is that they are not.

● (1610)

Mr. Kevin Page: First I'll answer the questions, then perhaps Mr. Askari and Mr. Matier can add information.

[*English*]

For the numbers that were released today we did not, as we said, have time to do a model-based fiscal projection based on the changed economic numbers, so we used sensitivities. We have detailed sensitivities that we can look at: if the unemployment rate changes, or if GNP changes, what the impact on unemployment insurance is, or what the impact is on tax bases. We have used those sensitivities.

Primarily in the numbers that we've used.... Higher numbers were reported today, but we're looking at a deficit for 2009 of roughly, we're saying, $38 billion, compared with roughly $34 billion for budget 2009, so it's roughly $4 billion or $5 billion higher. It's pretty much the same thing for 2008. This difference primarily reflects the lower GNP numbers, which is the broadest measure we have of income to support the tax base.

What we've noted here today is that we're looking at a much weaker labour market—as you've noted today, sir. Our unemployment rate on average is going to be about a full percentage point higher for 2009. According to the private sector forecasters, we're seeing employment, which in the budget forecast was down about 0.5% in 2009, down now about 2% on a year-over-year basis in 2009.

I'll ask Mostafa and Chris whether or not there's some upside risk to the deficit numbers we presented here as a result of the fact that we have not done a full model-based scenario, particularly related to the issue of a weaker labour market.

● (1615)

Mr. Mostafa Askari (Assistant Parliamentary Budget Officer, Economic and Fiscal Analysis, Office of the Parliamentary Budget Officer, Library of Parliament): I think I would just confirm what Mr. Page said. We used the sensitivity numbers, which should reflect—

Mr. Thomas Mulcair: The higher EI?

Mr. Mostafa Askari: —all the shocks to the system. This is not a detailed forecast; this is just applying a rule that the Department of Finance has provided. If we were to do a full fiscal projection, the numbers probably would have been somewhat different.

[*Translation*]

Mr. Thomas Mulcair: In closing, Mr. Chairman, I wish to express again our full confidence in the institution of the parliamentary budget officer and the individuals here present.

I wish to remind the parliamentary librarian of Parliament's clear will. We often talk about the letter of the law, but we must also consider the spirit. It is true that we had to determine where to fit this new institution, and that was assigned to him. And I'm choosing my words carefully: we put our confidence in him by treating him with all due respect. This is an instrument that enables parliamentarians to do their work better. I often have occasion to take people to the Library of Parliament. I find that our librarian does a very good job taking care of his maps, drawings, sketches and books. However, he must understand that this is a matter of trust. He is not the director of the budget officer. The budget officer is doing a public job and must have the independence and the necessary budget to perform the role assigned to him by the unanimous will of Parliament.

Thank you, Mr. Chairman.

[*English*]

The Chair: Merci, Monsieur Mulcair.

We'll go now to Mr. McKay, please.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Chair.

Thank you, witnesses.

I certainly would be one to support the transfer of Mr. Mulcair to the Library of Parliament committee.

Some hon. members: Oh, oh!

Hon. John McKay: I'm sure Mr. Page would feel much more secure in his desire to improve his budgetary prospects.

Usually there's a rule of thumb with respect to nominal GDP. The government's revenues fall according to nominal GDP. What kind of rule of thumb applies to a one-percent drop in nominal GDP?

Mr. Kevin Page: We don't have that handy, but we'll get you the number very shortly.

Let me add that in what we have presented in our tables today on nominal GDP we've both shown the percentage changes, shown what was put in quite wisely by the government—a prudence factor, which we've identified—and shown it in absolute dollar terms in our budgetary table. So you can see the absolute figure and will see that it's roughly $30 billion lower for 2009 and roughly the same amount for 2010. The effective tax rate on that is about 15%, in terms of its impact on revenues overall.

In terms of the elasticity, Chris will comment.

Mr. Chris Matier (Senior Advisor, Economic and Fiscal Analysis, Office of the Parliamentary Budget Officer, Library of Parliament): The sensitivities provided in budget 2009 are on pages 232 and 233. To take a rough approximation, if they were equivalent reductions in the volume and on the price side, as a simple average you'd probably end up with something around $2 billion in the first year for a 1% decline in nominal GDP. But the composition of that reduction matters crucially. If the reduction stemmed entirely from a reduction in real GDP, the impact would be probably around $3 billion or $3.5 billion. It's crucial to know what's driving the reduction in nominal GDP.

Hon. John McKay: So you're projecting, at least in that quarter, something on the order of a 15% reduction in nominal GDP. It's not the same going forward, but that's enormous.

● (1620)

Mr. Kevin Page: Actually, no, it's not. The average number of nominal GDP, I think, is a 4.4% decline for 2009—isn't it, Chris?

Mr. Chris Matier: Yes. It's almost a $30 billion decline in the first year, and about $35 billion in the level of nominal GDP in the next year. That's slide 15 in our presentation.

Hon. John McKay: Slide 15, yes; I'm looking at it. You have $38 billion in 2009-10 and $35 billion in 2010-11.

One thing that has always concerned me is that when you see the unemployment rate accelerating and the level of employment decelerating, you get a double-whammy effect: you have a citizen who's no longer contributing taxes and you have a citizen who's drawing, in some cases at least, EI. Have you calculated into your revenue projections that double-whammy effect?

Mr. Chris Matier: I would hesitate to call them projections, because these are using not our own fiscal sensitivities, and this really isn't a new projection, but just a rough calculation to provide an idea of how things would be compared with budget 2009. The fiscal sensitivities that Finance Canada provides would directly and indirectly capture those impacts, from the labour market.

Hon. John McKay: I'm a little lost on the to-ing and fro-ing with the Department of Finance. Are you getting that data in a timely fashion?

Mr. Chris Matier: We are not being provided with the underlying details of the projections in the budget that would correspond to, let's say, the level of employment. The unemployment rate is being provided, but key variables, such as corporate profits and wages and salaries, which matter crucially for tax revenues, have not been provided to date. And that's exactly the type of information that we would use.

Hon. John McKay: So even the numbers—

The Chair: This is your last question, Mr. McKay.

Hon. John McKay: I have one final question with respect to the nominal EI deficit. Have you done a calculation as to what the nominal EI deficit might be for this year?

Mr. Kevin Page: No, we have not. It would not be hard to do, however.

Mr. Chris Matier: I would just point out, from my experience on the sensitivities, that there is, I think, an implicit assumption that the break-even contribution rates are operative in this case. To that extent, the numbers we've provided probably would understate its fiscal impact.

The Chair: Thank you.

Monsieur Carrier.

[*Translation*]

Mr. Robert Carrier (Alfred-Pellan, BQ): Thank you, Mr. Chairman.

First I would like to say hello to Mr. Page and his colleagues.

I want to thank you for the work you are doing. In a way, you guarantee the government's actions with respect to Parliament. It is an important job.

In your presentation, you say that “the government and Parliament have moved in a timely fashion to approve budget measures.” You also conclude that the recovery plan measures have not really influenced economic performance, given the various steps that have to be taken before contracts can be made.

Don't you think it would have been more appropriate to implement those measures in November 2008 rather than January 2009? Do you understand the question?

Mr. Kevin Page: I wasn't listening. Pardon me.

Mr. Robert Carrier: If the budget measures had been debated and adopted in November 2008 rather than January 2009, they would probably have been immediately applicable. So we could have been seeing results now. And yet you say the government acted at the appropriate time.

Mr. Kevin Page: I believe I understand your question. It is crucially important to respond to the demands of our economy now. If budgetary measures could have been taken earlier, that might have had a positive impact on our economy.

● (1625)

Mr. Robert Carrier: That somewhat clarifies what I was reading.

However, you don't really believe that other economic measures or stimulus can be brought forward now, given that we have an open economy and depend on the entire global economic context. You've nevertheless come to a lower final projection than that of the government. One could think of economic measures whose impact would be felt sooner than those previously planned. A little earlier, we were talking about employment insurance, about eliminating the waiting period and making immediate payments to unemployed workers that might stimulate the economy immediately. There's also the entire question of seniors to whom we could make an additional payment to improve their condition and to bring them up at least to the low income threshold. Those immediate measures would improve your prognosis and enable us to achieve the result desired by the government.

Do you maintain that no further economic stimulus can be put forward? Don't you believe that we can introduce direct action stimulus?

Mr. Kevin Page: Perhaps one aspect of our mandate has to be clarified. I'm not very comfortable proposing new options or policies in the context of a future budget or determining whether we need other measures.

However, I am comfortable outlining the economic context. On page 13 of our brief, there is a chart showing our output gap. As you can see it is very pronounced. If the government wishes to minimize that gap, it can add new stimulus. In the past, in our report, we have examined the level of stimulus contained in the budget and examined, in context, what is gross and what is net. I feel very comfortable saying that the output gap is much greater now than in the past or in the 2009 budget.

Mr. Robert Carrier: Would you be prepared to suggest adding fast-acting economic stimulus, then leave it to parliamentarians to decide?

Mr. Kevin Page: It is absolutely necessary to implement budget measures as soon as possible and to stimulate the economy in this context. However, I am not very comfortable proposing other measures.

Mr. Robert Carrier: Thank you.

[*English*]

The Chair: Thank you.

Go ahead, please, Mr. Dechert.

Mr. Bob Dechert (Mississauga—Erindale, CPC): Thank you, Mr. Page, for your work.

As you know, late last week the United States government announced an additional extraordinary $1 trillion of support for financial institutions. This was obviously done after the Canadian budget came out, and in your report earlier today you mentioned that Canada's recovery depends crucially on global, economic, and fiscal developments.

Could you comment on the recently announced U.S. federal government stimulus measures and how these might affect Canada? Could you also comment on how the measures announced in the U. S. have changed since the budget was announced on January 27?

Mr. Kevin Page: It's probably fair to say that the budgetary process in the United States is a lot more complicated than ours. Many people were probably watching American news last night, and they got to see the President talk about the importance of implementing their budget. In our sense, because of the work of all parliamentarians, we're actually further down the road than the U. S.

In terms of the level of stimulus that's being offered in the United States relative to Canada, the International Monetary Fund recently produced a report that compared the different levels of stimulus. There are some problems in terms of comparing apples to apples or apples to oranges. It's clear that the U.S. stimulus is larger than Canada's, but it's probably also clear that the output gap or the economic problem in the United States is a little bit more severe as well.

In terms of the efforts we've seen recently and the potential impact they're having, it's fair to say from what we've seen in terms of monitoring private sector forecasts that the outlook is getting worse, notwithstanding the fact that we're seeing more stimulus going into the economy, particularly in the financial sense. It hasn't had the traction they were hoping it would have. You've probably seen that in a lot of commentary from former governors of the Bank of Canada. They're still waiting for the stimulus to really take hold, and I think it's being reflected in the weaker numbers that we're seeing in 2009.

● (1630)

Mr. Bob Dechert: You would agree, though, and I think you pointed this out in your report, that even your own projections have changed dramatically since the previous report. Private sector forecasts are changing almost daily.

How would you suggest the government would respond, given that the economic projections are constantly changing? Obviously things are being done in the United States and other countries in the world. That's got to have some impact on Canada. A forecast was done on the best information available in January. Those measures have just been passed in Parliament, and the funds are about to be spent. Wouldn't it be prudent to see those funds being spent, make sure they are spent, and then measure again to decide what further measures might be necessary?

Mr. Kevin Page: Like the Department of Finance, we survey private sector forecasts and we do our own survey. We make this information available to you so you can see the broader planning context. We're not in the forecasting game itself. We do this so you can think about it in terms of budgetary measures, the stimulus, as Mr. Carrier suggested recently. But we don't do our own forecasts. We provide a different and more detailed outlook for the first half of this year because we think what we're seeing now is actually historic in terms of the quarter-to-quarter declines. That is, as you say, sir, very much a global problem.

In terms of implementing the budget, it is fair to say that most commentators would say we need to move as quickly as possible to put that stimulus in place. It will take a significant effort, but I'm sure the government and public service are working hard to get the money out the door so it's flowing for the various projects that will touch all aspects and sectors of the economy in all regions. The premium should really be on making sure that stimulus is implemented. But the situation is worse right now.

Mr. Bob Dechert: Thank you.

You mentioned former Bank of Canada governor David Dodge. I note he was quoted from a speech he made yesterday in Kingston. *The Kingston Whig-Standard* is saying this morning that he wanted to make it clear the Stephen Harper-led government is not to blame for the state of the economy. Dodge said that Canada will continue to face financial difficulty, not because the government or the banks are failing, but because problems in the world are so large this will take time to resolve. I wonder if you heard that, and if you could also comment on the projections that were made in terms of unemployment.

Mr. Kevin Page: Yes, sir, absolutely. If you look at the International Monetary Fund and its projections, this is definitely a global recession. They call it “the Great Recession”. It's unprecedented, and we're seeing the world economy decline in real terms on a year-to-year basis. As Paul Krugman says, this is a situation where sometimes bad things happen to a good economy, and Canada is a good economy. So it's definitely a worldwide phenomenon.

Also, sir, if you look at slide five, where we look at Canada-U.S. monthly real GDP, and you look at what's happened since January 2008, you'll see that the numbers, even on a real GDP basis, actually track fairly closely, again highlighting how the situation in the United States impacts very importantly on Canada.

The Chair: Thank you.

Ms. Hall Findlay, please.

Ms. Martha Hall Findlay (Willowdale, Lib.): Thank you, Mr. Chair.

Thank you, everybody, for being here.

One aspect of the budget involves projected asset sales. It involves projected numbers for a combination of savings from departmental spending review as well as asset sales. In another committee yesterday we were given splits of the amounts, so it's a little over $10 billion over five years. By far the majority of that $10 billion is expected to come from the sale of assets. It's not clear at all what kind of assets. In fact it was confirmed yesterday by the department using words like 'hypothetical'.

We were told we were not likely to get a list of assets until at least the summer. We raised concerns about making a commitment to revenue on the sale of assets that have not yet been identified, the challenge of determining how you could arrive at that number—in particular, a commitment then to sell assets at an economic time we're facing now when the value of those assets may be significantly reduced. We clearly have some concerns. I'm just wondering if you can comment a little bit on the validity of the budget including those kinds of numbers and any concerns you might have.

● (1635)

Mr. Kevin Page: We've examined and have written a report on issues coming out of the November economic statement from Minister Flaherty. In words that we've actually printed and that are available on our website and as well in direct discussions that we've had with departmental officials, we've said that it's not a good practice to adjust the fiscal framework for the hypothetical sorts of situations that, at a minimum.... And we also asked for a list of what those assets would be that are under consideration.

I think the better practice would be, if they were planning to look at asset sales, to put together a list and the process they would have for disposition of that list. We would be happy to do due diligence on that list. Then, if it looks as though there are potential net fiscal revenues to come to the consolidated revenue fund, we would do appropriate due diligence on it.

But we share those concerns about lack of transparency and the adjustment of fiscal framework without specifics.

Ms. Martha Hall Findlay: Let me ask a specific question about the projection for this coming fiscal year. It's $2.3 billion, about $0.3 billion of it being from departmental review, so about $2 billion in 2009-10 being specifically from asset sales. We won't see even a draft list of those until the summertime. Even if there were an appreciation of the value of those assets on the books of, say, 10%—and I would question that, given the economic times we are facing—a commitment, or as we keep hearing, a “fire sale” of assets.... We're looking at selling assets to achieve $2 billion. With an appreciation that is questionable even at 10%, it would require the sale of $20 billion worth of assets in 2009-10 to achieve that.

Is that even remotely realistic?

Mr. Sahir Khan (Assistant Parliamentary Budget Officer, Expenditure and Revenue Analysis, Office of the Parliamentary Budget Officer, Library of Parliament): When we look at asset divestiture, the reason additional information is useful is that there is a time lag when you are looking to present for sale and are examining the market opportunities for these assets. As Mr. Page said, this is part of the challenge of trying to book these revenues in the fiscal framework before clear identification.

We have requested that the government provide some of these details. Not everything can be provided, because there are confidential elements to these transactions. However, we are able to look at these things in confidence and provide parliamentarians with some sense of the yield there might be, from a consolidated revenue fund standpoint.

Your point is correct, in that there are time lags to implementation. Particularly when you're looking at having them apply in a particular fiscal year, having more information about the nature of the asset and the potential transaction process could be useful to identify when the benefit might hit the fiscal framework.

Ms. Martha Hall Findlay: I appreciate the concern about confidentiality, but we were told yesterday it was not a question of.... That was not raised. It was quite bluntly said: we don't know what those assets are; we have not undertaken a review of what they might possibly be.

As a more blunt way of asking, is it realistic for the government to have booked $2 billion worth of revenue on asset sales in 2009-10, given your knowledge of the current government's finances and the budget?

Mr. Kevin Page: We need a list, but I would think, based on what we know now and just from the nature of disposition, that it doesn't sound very realistic. There is a high risk that it would be hard for it to materialize.

The Chair: Thank you.

We'll go to Mr. Kramp, please.

Mr. Daryl Kramp (Prince Edward—Hastings, CPC): Thank you.

Good afternoon, gentlemen.

I'm looking at your prepared text, Mr. Page, where you talked about the effectiveness of this government's operating of the economic package. Let me quote you from page 4, where you say:

> ...but let me be clear, this statement on its own does not necessarily imply that more stimulus is required. As a small open economy, Canada’s recovery depends not only on the actions policymakers are taking to provide accommodative fiscal and monetary policies, but also depends crucially on global economic and fiscal developments.

You say, “Indeed, no reasonable assessment can be made until these measures have been implemented and more time has passed”.

I would like to refer, just for a comparative thought that you might offer here, to a comment from a recent IMF report, which states that the IMF “supports the large, timely, and well-targeted fiscal stimulus in Budget 2009”. It states:

> The stimulus package is appropriately sized—well above the Fund’s benchmark of 2 percent of GDP. It is also prudently based on a worse economic outturn than private sector forecasts. With sizeable infrastructure spending and permanent tax cuts, it is weighted toward items that are most effective in stimulating demand. Its steps to boost the safety net will protect Canada’s most vulnerable, and training enhancements will facilitate reallocation of displaced workers...The mission also welcomes the move to cut external tariffs, which is in line with Canada’s long-standing commitment to trade liberalization and openness.

It finishes off by stating:

> The IMF supports the strong fiscal package announced in January, which was large, timely, and well targeted, and it will buoy demand during the downturn. The focus now is appropriately on implementing that package.

With your comment and now the comments from the IMF, my question to you is.... As you've stated as well, it really is just a little too early to comment on the effectiveness of the government's stimulus action for 2009. Isn't is reasonable to take either some solace or some comfort in the statements from the IMF that they have placed on Canada's economic situation right now? In other words, don't you feel there is at least a little cause for optimism, or a level of confidence, or a level of hope?

● (1640)

Mr. Kevin Page: Absolutely. I think our comments and the comments of the IMF are similar with respect to the stimulus nature of the package that was put forward.

Again, I think the IMF report was a very glowing report on Canada's situation relative to other countries. What we also see in the IMF report as well, though, and again in a global context, is that the global economy is much weaker and the U.S. economy is much weaker. Canada will be impacted by that. As we've noted in the report, it was wise that the government added additional prudence for 2009 and 2010 in the budget projections. We needed that.

Effectively, what we've seen today, consistent with the IMF's new global update, which is a contraction, a recession, in 2009 globally, is that we've used up that prudence. In fact, we've gone beyond the prudence in the numbers. I think it's fair to say, and even the IMF would say it, that because of the global situation there's even greater downside economic risk. But the policy report from the IMF was very glowing.

Mr. Daryl Kramp: Thank you.

I'm a little bit concerned. Basically, these clichés, like confidence is the essence of all success, attitude is everything, etc.... I'm a little bit concerned about having a self-fulfilling prophecy with the possibility of doom and gloom. I have an interesting quote here from a few years back. This happened to be back in 1985. It states, “Nervous consumers don't make for a strong economic recovery. The solution, we believe, is for the federal government to avoid any panic rhetoric.” It goes on, “Alarmist statements about the federal deficit may be useful for the purposes of frightening the public.” It goes on, of course.

It's not that I want to age someone, but the individual who happened to make those statements, of course, was the current Liberal finance minister, Mr. McCallum.

The Chair: Okay. Question, please.

Mr. Daryl Kramp: Do we, as parliamentarians, agree with this notion? Do you believe we should use some caution with the alarmist statements at this time?

The Chair: Thank you.

Mr. Page, please.

Mr. Kevin Page: It's certainly our mandate to present this sort of economic and fiscal information before you, based on averages of private sector forecasts, and what it means fiscally. That's basically, for the most part, what we're doing. We do talk about risk.

From a policy perspective, in terms of bolstering consumer confidence, what we're hearing as well from the International Monetary Fund, I think, is that we're going to need to deal with this global financial system before our confidence will truly come back in a sustained way. If we can do that, I think confidence will be there, sir.

The Chair: Thank you.

We'll go to Mr. McCallum again.

Hon. John McCallum: Thank you.

First, on the economics a little bit, it's somewhat ironic that the government side, when we were discussing this, was wanting to combine your appearance with that of Don Drummond and others, to sort of counterbalance the effect. But I'm not sure they knew what they were asking for, because as I recall, Don Drummond is significantly more pessimistic than you are, and we will be hearing from him tomorrow.

My question is this. If you combine the two years, the budget deficit is approximately $64 billion, and yours is approximately $73 billion. And as I recall, Don Drummond's is $80 billion or more. Yet you have a very negative growth outlook, at least for the current quarter, and also nominal GDP. I seem to recall that for Don Drummond, approximately $1 billion of this year's deficit was because of additional EI payments, and $2 billion next year. I think you've been asked this in certain ways, but I didn't catch the answer, so here is a double question.

Is one of the reasons for the difference between you and Don Drummond the fact that he has included additional EI benefits and you have not? And more generally, given your rather pessimistic growth outlook, why is Don Drummond a lot more pessimistic on the deficit than you are?

● (1645)

Mr. Mostafa Askari: Just for clarification, Mr. McCallum, the quarterly number we show on slide eight is our own estimate, PBO's estimate, not the basis for the fiscal projections we provided. The fiscal projection we provided in this document is based on private sector average forecasts.

Hon. John McCallum: So if you used your own growth projections, your fiscal deficit would be bigger?

Mr. Mostafa Askari: It probably would have been worse, but we haven't done a full fiscal projection for the full year. So this is just for us, just the first half of the year. It is based on monitoring of indicators that are available. So if we were to apply this throughout the year, obviously the numbers would be worse than what the private sector average shows.

Hon. John McCallum: You presumably have read the TD analysis. Can you give us an idea in general terms of why your deficit is $73 billion and theirs is $82 billion, I believe?

Mr. Mostafa Askari: Again, we apply only fiscal sensitivities that we are provided by the Department of Finance, whereas TD has gone, I assume, with full projections based on their assumption about EI, other assumptions in terms of share of corporate profits relative to personal income—the other factors that may affect the fiscal projection. We have not done that in this document.

Hon. John McCallum: Yes, Mr. Page.

Mr. Kevin Page: Chris, do you have Don's number? He's more pessimistic.

Mr. Chris Matier: In terms of nominal GDP growth, I think Mr. Drummond's projection for 2009 is in line with what we have. I think it's a decline of 4.4%, but in his projection he's also taking views or changing views on the underlying, let's say, the income composition. So the corporate profits might be quite a bit weaker than he had, whereas when we're using fiscal sensitivities, the underlying assumption is that the reductions are spread across proportionately. So the two.... I'd say it's not a fair comparison to compare a projection versus a shock minus control estimate.

Hon. John McCallum: So in some sense maybe you'd agree that even though we're at the stage of the cycle where corporate profits, which are highly sensitive, are dropping like a stone, his more detailed analysis might make his larger deficit projections closer to the mark. Is that a fair statement?

Mr. Chris Matier: I would think so. In our presentation we've tried to flag the downside risk to our projections, and I would imagine that if we did do a fully independent projection, based on our monitoring for the first half of the year, we would have significantly lower nominal GDP growth than even Mr. Drummond.

Hon. John McCallum: Thank you. He'll be here tomorrow anyway to give aid and comfort to the government, so we'll ask him that question. Thank you.

The Chair: Thank you, Mr. McCallum.

We'll go to Mr. Wallace, please.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chairman.

I have a number of questions, so I'll ask you to be succinct in your answers.

Your discussion today talks about the first quarter. That's the calendar quarter, is that correct?

Mr. Kevin Page: That's correct, first quarter.

Mr. Mike Wallace: But the government's year starts April 1. It's not the calendar quarter. So why, if you're of the budgetary office for the Government of Canada, are you not comparing the government's actual budgetary quarter to that, the quarter that exists in real time?

You know, I've heard comments about stimulus not getting out there faster. Well, the estimates, the spending is still in the Senate. They haven't even got passed yet. So why wouldn't we, if your job is to look at what's in the budget and whether it's accurate or not.... I don't think it's to comment on whether it's good policy or not, right?

● (1650)

Mr. Kevin Page: Correct.

Mr. Mike Wallace: If we didn't have a stimulus package, technically you couldn't come here and say that we should have a stimulus package. You could come here and say whether what we've put in the budget is accurate, but not that we need a stimulus package.

Is that not an accurate statement?

Mr. Kevin Page: Correct; we're not here to provide suggestions on new policy measures that could make the stimulus package bigger, smaller, or different. What we do want to do is make sure that you have a really good sense of what's happening in the first quarter of the Canadian economy based on our monitoring.

Mr. Mike Wallace: The calendar quarter.

Mr. Kevin Page: The first three months of 2009. We have additional information that finance department officials and Minister Flaherty would not have had in terms of putting together his January projections—

Mr. Mike Wallace: I don't mean to be rude, Mr. Page; I'm just trying to get something in here.

To be accurate, though, once our first quarter of government is done, then you would analyze what we've done in that first quarter in terms of money out the door—let's use it that way—compared to what the budget actually said. That would be an accurate analysis, correct?

Mr. Kevin Page: We've focused in our briefing today just on economic implications. It's not a fiscal analysis, per se, on the first quarter.

Mr. Mike Wallace: Right.

I find it strange that the Liberal Party wouldn't support my motion for peer review of what you have to say. But now they are, so....

I'm not asking you to comment on that.

Mr. Kevin Page: Actually, I'm very supportive of peer review, sir. Most of our products are peer-reviewed. In fact, I'm leaving tonight to go and speak to business economists in Victoria and Winnipeg.

Mr. Mike Wallace: I appreciate also that you're meeting with the deputy minister and you're getting some feedback. If there are some issues in terms of information, I hope they get resolved relatively quickly.

You showed us the GDP against the U.S. How come you didn't show us any of the positive stuff that Canada is doing in comparison? We're in better shape, would you not agree, than our American friends on a number of issues, whether it's mortgages, failure rates, all those kinds of things? Is there a reason that you only show us the negative and not where Canada is better than others?

Mr. Kevin Page: Actually, we're pretty much focused on those headline numbers that the government of the day would be focused on as well in terms of what it means overall for the Canadian economy and what its implications are for the fiscal situation. If you ask us to comb through the numbers and look for the most positive kinds of indicators, there are some positive indicators, sir. We saw a jump in retail sales in January. Mind you, it was after a very steep decline in December. Motor vehicle sales as well strengthened in January relative to where they were in December.

We can look for those things. The markets certainly have strengthened, sir, in the last number of weeks.

Mr. Mike Wallace: Okay.

My last question is a budgetary question; you are the budgetary office. The revenues that we project in there are projections, correct, whether they're corporate or personal? Those revenues that are based in the budget are projections, correct?

Mr. Kevin Page: Correct.

Mr. Mike Wallace: Would you agree that the Government of Canada owns more than $10 billion worth of assets?

Mr. Kevin Page: Absolutely, sir.

Mr. Mike Wallace: So if the projection of what we could.... It's part of the budget, part of the revenue stream. Part of that is a reduction in wasteful government spending, part of it is in reduction of assets, but they are all projections. Would you agree with that, then?

Mr. Kevin Page: The projection that revenues will be forthcoming from asset sales?

Mr. Mike Wallace: Right. That's just a projection of what they've put out there.

Now, you did make the point that they didn't show you, as they haven't shown me, what those assets would be.

Mr. Kevin Page: Correct, sir.

Mr. Mike Wallace: But then you made the statement—I don't mean to be rude—that you didn't think it was prudent, or achievable, or something along those lines.

Shouldn't your answer have been that based on the information you have, or don't have, you really can't comment? Because it's just projections, as it is for the corporate revenues, and the personal tax revenues, and all the other revenue streams that are indicated in the budget.

Mr. Kevin Page: Sir, on that point, when the government introduced the measures it did in its 2009 budget, when they introduced tax reduction measures, those were instituted. There was a ways and means motion. They were implemented. Canadians will benefit by those sorts of sales. We know exactly what they're doing.

We've seen a global number in asset sales, but we haven't seen the list, sir. That's really what we're saying. We made that point last year, sir.

The Chair: Thank you, Mr. Wallace. I'm sorry, your time is up.

We'll go to Mr. Mulcair.

[*Translation*]

Mr. Thomas Mulcair: Thank you, Mr. Chairman.

I would like to ask Mr. Page, in the wake of the previous conversation, whether he can tell us how many permanent employees there currently are in his structure.

● (1655)

[*English*]

How many permanent employees have you been able to hire since you came on board?

Mr. Kevin Page: At the PBO right now, we have eight permanent employees. We have a number of employees who are on secondment, including Chris Matier. His secondment is over this year. It's very important that we're able to put him on a permanent basis so that we could assure that, next year, when we're in front of you at this time—

Mr. Thomas Mulcair: We too want him on a permanent basis. That's why I'm asking the question.

How many other requests have you made to...? I'm sorry, I don't know the jargon of the civil service in English well enough.

[*Translation*]

How many requests for permanent employee status have you in hand?

[*English*]

Mr. Kevin Page: Again, if we get the budget we're....

We think money has been set aside in the fiscal framework for a budget for our office of $2.7 million to $2.75 million per year. Those moneys are there in the fiscal framework. We were planning on a staff of about 17 or 18 people to provide service to you. We have eight permanent employees now. We have five on secondment. We would like to have on a permanent basis at least those five who are on secondment.

Again, I was planning on a budget of $2.7 million to $2.8 million a year. It's very important that we confirm that budget as soon as possible so that we don't have to let these people go.

[*Translation*]

Mr. Thomas Mulcair: I can assure you that you can count on unanimity in that matter.

I'd like to return to a question raised earlier by Mr. Kramp. The International Monetary Fund will be issuing a performance report card for all players. We'll especially be able to see whether people have spent the 2%. The fund's look was what was read by Mr. Kramp. It's as though it was agreed that everyone would bring something to the family get-together, but that Canada was behaving like the brother-in-law who tries to eat off everyone's plates without bringing anything.

The example cited by Ms. Hall Findlay is appropriate. She showed that, when it comes to asset sales, this is pure fiction. When it comes to so-called spending cuts and reductions, there's a paradoxical attitude among the Conservatives, who boast of being good public administrators. And yet, long before the present crisis, in the two and a half years of their government, they have raised the government's program spending in a stunning manner, without achieving any results.

You cited the example of incredible unacknowledged expenditures for the war in Afghanistan, and there were a number of others. They spent endlessly, without results. Now that we need that money, we're told we'll have to sell assets and proceed with previously unheard of cuts.

In light of all we've seen to date, will Canada achieve the 2% target? He intends to say that he will instead suggest 4% at the outcoming London summit. In your view, can measures such as the sale of assets or a so-called reduction in the size of government stimulate the economy? Isn't it necessary instead to take more direct measures such as improving employment insurance?

[*English*]

Mr. Kevin Page: Mr. Mulcair, with regard to the International Monetary Fund report, first of all it was a very glowing report on Canada. I think they think our situation is.... We did meet with them individually when they were here doing their review. They met with the parliamentary budget office. They think we're on the right policy track. I think they think that, for the most part, the Canadian economy is better positioned going into this recession than many other economies are.

Having said that, in terms of the level of stimulus, they took the government's numbers and they compared them, pretty much holus-bolus, with those of other countries. They looked at the full $40-billion stimulus. They did not make changes.

In a previous analysis, we talked about the terms of gross and net, about the issues around potentially contractionary-style impacts around strategic reviews, asset sales, leverage-related issues, and the freezing of the premium rate. They didn't do that gross or net. They didn't do that for other countries as well, too, so....

Mr. Thomas Mulcair: They're taking it at face value.

[*Translation*]

Does Mr. Page believe that setting the spending of a similar amount by the provinces or municipalities as a precondition will make it so the amount can legitimately count?

● (1700)

[*English*]

Mr. Kevin Page: I'm not sure I can really comment on that.

[*Translation*]

Mr. Thomas Mulcair: Thank you.

[*English*]

The Chair: Thank you, Mr. Mulcair.

We'll go to Mr. McKay, please.

Hon. John McKay: Thank you, Mr. Chair.

I think we should sell off the eternal flame. We could securitize the cashflow, get AIG to insure it, and then do some derivatives on that. It would help out the government's projections.

And yes, the gas will come from Alberta. It will help out there.

The Chair: Gas prices are very low right now.

Hon. John McKay: Yes. It's a good deal.

I'm looking at page 21 of your presentation here. You show the effect of a stimulus in the budget as being a 1.9% increase in GDP. Yet you show the last quarter of 2008, first quarter of 2009, as being dramatically below the budgetary estimates, both with and without stimulus.

Do you hold to the 1.9% of a stimulus effect when your projections are going so much more dramatically below the budgetary projections?

Mr. Kevin Page: I think the purpose of this graph is to actually use the government's numbers to show what it's assuming. We actually applaud the government for the level of transparency that it had, particularly in its annex in the budget, which highlighted the multipliers for all the different programs.

Sir, I believe you raised questions about the multipliers last time we were here.

What this graph on page 21 actually shows is what we know now about the first quarter of 2009. It's dramatically worse. We lost 200,000 jobs in January and February alone. A lot of private sector forecasters are saying that March is probably going to be another kind of unfortunate month as well, with other significant job losses.

That 1.9% real GDP impact actually translated into employment numbers—which I believe is on the next slide—of about 190,000 over that period of time. We lost those jobs already, in January and February, so we're just highlighting that in this graph. The starting point to equal zero is much worse based on the information that Mr. Flaherty and the government had in January 2009.

Hon. John McKay: The question becomes, though, is it really go big or go home? If you're putting in the same amount of stimulus that the government projected in its budget, and now you're applying it to the projection that you now have, based on those two quarters, arguably you're just wasting your money at this level. Is that a fair observation?

Mr. Kevin Page: We're not saying that the stimulus has really had.... I think this is Mr. Wallace's question. The money has not flowed out the door, at this point in time, so we haven't had that impact. But I think what we are seeing is that the gap that exists between where the economy should be going, where we expect it to go at trend value, and where it's projected to go is getting much wider. The policy challenge faced by all Canadians and by parliamentarians is much more significant because of what we've seen already in the first quarter of 2009 and what private sector forecasters are saying, which is consistent with the International Monetary Fund, going forward. The policy challenge is much bigger.

Hon. John McKay: Wayne Gretzky was a brilliant hockey player because he knew where the puck was going, not where the puck was. And if you follow a reasonable projection of your chart, it would lead one to the conclusion that the government's stimulus package, no matter how dressed up it is, as stated in the government's terms, without any skepticism whatsoever, is clearly inadequate to do the job of ameliorating the effects of this economic drop. Is that a fair or reasonable observation?

Mr. Kevin Page: Again, I think what we're saying is that the challenge we face now, because of the weakness in the economy, is much bigger.

Hon. John McKay: Okay.

Thank you.

The Chair: Thank you, Mr. McKay.

Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest: Thank you, Mr. Chairman.

Mr. Page, everyone has in a way agreed to congratulate you on your excellent work, and even the government party is taking credit for creating this position, on the ground that it proposed it. Since you are doing such a good job, I would like you to answer the following question.

If the parliamentary budget officer, your office, did not receive the $1.8 to $2.7 million increase originally budgeted, would you be able to provide us with as much documentation, as much analysis, and would it be of equal quality? Is it possible to improve the quality further because we can also expect that additional items could have been delivered to us but were not because you didn't have the necessary staff to do so?

We may also consider it highly likely, since we are in a recession, that the everyday question is the financial question. We can expect that there will be increasing numbers of very legitimate requests forwarded to your office. If you did not have that documentation, would you be able to respond to us as well as you have from the start?

● (1705)

Mr. Kevin Page: Thank you for your question, Mr. Laforest.

The quality of our work depends on the people who work with us, people like Mr. Matier, Mr. Askari and Mr. Khan, as well as other people who are here. All of these people have held positions in the past. They have a lot of experience, which is important when it comes to giving you good analyses.

In an environment such as this, during an economic crisis, it is absolutely necessary to have the right expertise and to provide good analysis, such as this.

[*English*]

If we don't get our budget, I'm not sure, we'll have to.... We can't do our mandate. When I was given the contract, I was told our budget would be $2.7 million to $2.8 million. So I hired on that basis. It was probably too small a budget, based on the width of our mandate, which includes analysis of the economy, analysis of the nation's finances, and costing of the war in Afghanistan; and we were going to release a report within a month on aboriginal educational infrastructure, with costing of projects; and we were to scrutinize the estimates. We'll have to decide what elements of our mandate we do not do. So we will not provide services.

If I'm here a year from today and don't have the benefit of somebody like Chris or Mostafa, we won't be providing analysis of the economic projections. You need people who are familiar with econometric models. You can work with people like Don Drummond and Mr. McCallum on a regular basis, and look at their projections and compare numbers.

[*Translation*]

You are good analysts. That's [*Inaudible - Editor*] for me.

Mr. Jean-Yves Laforest: That's a very good answer to the question I was asking you. Ultimately, what you're telling us is that you have planned and organized your work and mandate based on the estimates that were originally $2.7 million for the second year. That's clear.

In response to a question asked earlier by Mr. Menzies, you said that two of your colleagues had previously been at the Department of Finance. With respect to the documents you would need in order to write your first report—I'm not sure I understood correctly—have you obtained all the documents you were expecting in order to do your analytical work for the government's first report?

[*English*]

Mr. Kevin Page: We have not received any information from the Department of Finance that we've asked for dealing with economic projections. So even in regard to the slides Mr. Wallace talked about —or perhaps it was Mr. McKay—we actually had to do some very difficult arithmetic to create those slides, because we're not given quarterly profiles. We have to work with what we have in the budget to actually back some of this information up.

As Chris said earlier, when you're looking at calculations, the economic impacts on deficits, you need to have the composition of GNP, profits, wages, etc. We've asked for that information. That information in the past was made available and was actually published in past documents and made available to private sector firms. We need that information.

[*Translation*]

Mr. Jean-Yves Laforest: Mr. Menzies said that there was only one cabinet document that you had not received, but you say there are more than that.

[*English*]

Mr. Kevin Page: We haven't received any information, Mr. Laforest. Nada.

The Chair: Thank you, Monsieur Laforest.

We'll go to Mr. Menzies now.

Mr. Ted Menzies: Thank you.

It's very appropriate timing.

Please remember, Mr. Page, that I went to bat for you after the last session to clarify that you were getting the information you had requested. I have confirmation that up to that point, you had received everything you had requested. Up to this point there's one document.... And I realize you folks are esteemed economists and that you don't think it's a matter of cabinet confidentiality—and I didn't say it was a cabinet document—or you don't think it would breach cabinet confidentiality. But we have legal opinions that say it would. That's why you haven't received that document.

By way of comment to Mr. Matier, who said you had asked for data on corporate profits, wages, and salaries—

● (1710)

Mr. Thomas Mulcair: On a point of order, Mr. Chair, when a member quotes a document, we can ask him to bring it before the committee. Mr. Menzies has just mentioned that he possesses a legal opinion. I think for the benefit of this committee, the least he could do would be to table that legal opinion. It would be good for us to be able to look at it.

Mr. Ted Menzies: I have verbal confirmation right now, and please forgive me, but I don't have the document in front of me.

Mr. Thomas Mulcair: No, we're just trying to clear the record.

Mr. Ted Menzies: I'm just trying to clear the record, Thomas. I'm not making a partisan comment here. I'm just trying to make sure this is accurate.

Mr. Thomas Mulcair: Nor am I. I just want to see the legal opinion.

Mr. Ted Menzies: Thank you.

The Chair: Okay.

Mr. Thomas Mulcair: Mr. Chair, I want your ruling on my point of order. I'm allowed as a member to ask anyone who cites a document to table it. He says he has a legal opinion. Now he says he doesn't. But if he does have a verbal legal opinion, maybe he could have it confirmed in writing and table it before this committee, so we can all know whether or not that opinion says what he says it says—even though it doesn't exist.

The Chair: Mr. Menzies, do you want to respond?

Mr. Ted Menzies: I would be glad to do my best to provide that to you, Tom.

If I can continue, Mr. Matier had suggested that your office had asked for corporate profits, wages, and salaries. My understanding is that was never requested. My understanding is also that you put all your requests on your website, and that is not on your website. So we have at least a difference of opinion here.

Going back to my first question to Mr. Page, I was trying to flesh out what the actual difference is in fundamentals between the Canadian economy and the weakness of the U.S. economy. As I said, in the debt-to-GDP numbers, the ratio is drastically different. What is the fundamental difference? Has the stimulus package in the U.S. been as effective as hoped, as what we're projecting here?

Mr. Kevin Page: Well, Mr. Menzies, I'll start with the economic question first, and then we'll go to the data issue. I'll be brief.

It may be that we could provide.... Maybe it would be helpful for you if we unpacked this a little bit for the committee members, to do a more substantive Canada-U.S. comparison of fundamentals. We'd be happy to do that, and we would look at some of the imbalances that exist in the United States, what has happened to those imbalances recently, and what imbalances we may have had in the Canadian economy. By that, I mean consumer balance sheets, corporate balance sheets, external balances, trade balances, fiscal balances, and we could show basically the nature of some of those fundamentals, look at savings rates. We'd be happy to do that if you'd like to do that. It would be complementary to the report we released earlier that you referred to that looked at the GDP numbers.

But I could say, sir, that even if you look backwards and you look at slide five as an example and you look at Canada-U.S. monthly real GDP and you look at the performances in 2008, you can get a sense, looking at that very high-level headline number, that there are not substantial differences in terms of real gross domestic product when you look backwards.

When you look forward, I think there are some differences in the forecasts, but if you want us to undertake that kind of work in our study, we'd be happy to do that. And Mr. Wallace is nodding as well.

Mr. Ted Menzies: Here is one other quick question, if we can, on slide 20 or page 20. Mr. Dechert just brought this to my attention. Can you explain, on the second graph, the difference between.... This is the impact on employment of budget. You have 2010, and the last column is 2010-Q4. Now, are you talking 160,000 jobs total in 2010, and then 189,000 for the fourth quarter? I'd like just a clarification, if you could, on that.

Mr. Kevin Page: Actually, on this slide, sir, these numbers come right from the federal budget. Yes, actually—

● (1715)

Mr. Ted Menzies: But by the end of Q4?

Mr. Kevin Page: Sorry, 2009 and 2010 are annual average numbers, and the Q4s are just reflective of what happens in the fourth quarter.

Mr. Ted Menzies: Oh, okay.

Mr. Kevin Page: Chair, could I just ask Chris to briefly deal with the information issue? The question was raised earlier.

Mr. Chris Matier: Thank you.

The data we requested.... We provided a list of all the series we needed in an attached spreadsheet, both for the fall economic and fiscal statement as well as for budget 2009. The projections we requested...the numonics for all these series are available. We have a good knowledge of the macro-econometric model the department uses to do forecasting, and indeed we've used it ourselves in our past jobs there. So that information is provided in detail; I think there are over 100 series that are being requested. But we are requesting the status quo basis projections, so this would be independent or excluding any measures that might be considered at that time.

On the cabinet confidence issue, again, these are projections that are shared with the Bank of Canada and with the OECD. And as Mr. Page has suggested, they have been provided to private sector forecasters in the past and have been published in Department of Finance documents.

The Chair: Thank you.

We'll go to Mr. McCallum, please.

Hon. John McCallum: Thank you.

Maybe I could pursue this question of information a little bit. I find it hard, as was just referred to, that a document could be considered a cabinet secret and not be provided to you when that same information is provided to private sector forecasters. That's a little difficult to understand.

I also find it difficult to understand how the government side is boasting about their website and how powerful it is, and my staff checked the website just a few minutes ago and they're still asking the Senate to pass the budget. And that was two weeks ago. So is this the government's idea of an up-to-date website that will keep Canadians informed?

My question, Mr. Page, to you is this. First of all, I heard you say that no information from the Department of Finance on projections has been forthcoming.

Mr. Kevin Page: Correct.

Hon. John McCallum: Let me ask you a few other questions.

You had a meeting with the Minister of Finance and the President of the Treasury Board, and I think you said that they said they would take the issues under advisement. Is that right?

Mr. Kevin Page: We raised issues, sir, with respect to providing a list of identified items related to vote 35, and the need for that. You know, Mr. Flaherty has publicly talked about his concerns related to due diligence, the risk related to implementing measures, that we could play a role, for all parliamentarians, to be scoring some of that risk.

Hon. John McCallum: Did you speak to the Treasury Board officials at all about whether they would cooperate with you in terms of providing information on getting money out the door?

Mr. Kevin Page: No, but we have spoken with the President of the Treasury Board.

Hon. John McCallum: So you haven't gotten anywhere yet on this matter.

Mr. Kevin Page: Actually, if I could clarify, I did speak to Wayne Wouters, the Secretary of the Treasury Board, early on to request a meeting about quarterly reporting. That meeting hasn't happened yet.

Hon. John McCallum: When did you ask for the meeting?

Mr. Kevin Page: It was actually.... I wanted to give him a heads-up that we were preparing what we thought was a best practice quarterly reporting technique, and I wanted to sit down in advance of release of the document.

Hon. John McCallum: How long ago, approximately, did you ask to meet him?

Mr. Kevin Page: It was before we actually released our document.

I'm just checking. It was March 11 that we released our quarterly reporting—

Hon. John McCallum: It was about two weeks ago. Okay.

I'm a bit concerned about basing our assessment on a government website. Even if they did update it daily, rather than it having two-week-old, out-of-date information, they would choose which numbers to present and how. From an economist's point of view of scrutiny, it would seem that we need an independent voice to ask for numbers that are relevant for our purposes, rather than relying on the person who is under probation to independently decide which numbers to give to the world.

Is that a reasonable point of view?

Mr. Kevin Page: What we highlighted today was looking forward to the second quarter report. We didn't see those indicators in the first report and how the money would flow, what indicators they would use to show the impact these programs are having in terms of stimulus on the economy. We didn't see that in the first report. It may have been asking too much.

We actually were quite impressed with the first report in terms of the level of detail, but we did not see those forward-looking indicators that will actually measure, when the money does start to flow, whether it is having an impact. It may be useful to have an independent assessment on those types of indicators and perhaps even on the money and how the money is flowing.

The Auditor General has already indicated she will be providing an audit, but again, that will be a very retrospective kind of look.

Hon. John McCallum: I am less concerned about analyzing the impact of the money when we know how much money it is, because lots of people in the private sector can do that; any good economist can do that. What other people from the outside cannot do, no matter how good they are as economists, is get their hands on data that the government doesn't want to give them.

This is why I'm concerned. You don't seem to be making any progress with the government. Did they seem to be saying “You'll take the numbers we choose to give you on our website and we won't give you the raw data with which to do the analysis”? Is that a fair statement?

Mr. Kevin Page: We would be able to do a much better analysis if we had raw data.

● (1720)

Hon. John McCallum: Okay. Thank you very much.

The Chair: Thank you, Mr. McCallum.

We'll go to Mr. Kramp.

Mr. Daryl Kramp: I have one quick question, then I'll turn it over to my colleague.

On page 13, your graph on output gap, you say the projected downturn is expected to be worse than past recessions. I accept your information. But I'd like to turn that around to average everyday citizens and how this recessionary situation affects them. I can recall being in business, back in the 1980s, and being subject to the 22% interest rate and very high inflation, and that affecting the population in a very serious manner.

We don't have those same factors now. We have different problems. Can you relate the comparative effect on the everyday citizen then versus now, based on this graph?

Mr. Kevin Page: You would need much more information to provide an individual citizen's perspective on the level of pain we're experiencing now, or starting to experience in the first quarter of 2009, compared to previous recessions in the nineties and eighties. In the information we presented today we gave you a perspective on the level of output of the Canadian economy. We also talked about employment and provided comparisons with previous recessions. But the job losses today are already quite significant.

The Chair: You have a minute left, Mr. Wallace.

Mr. Mike Wallace: I find it kind of ironic that in 2006 the Liberals didn't support the budget but the Bloc did, and this was in there then. Then they supported the current plan we have in front of them, and last night they supported the votes on spending that are now before the Senate.

On page 2 you say:

> Depending on which information gaps remain after the second report, my staff may begin a more detailed assessment of potential high-risk initiatives based on comparables derived from other jurisdictions and international best practices.

What is your definition of a high-risk initiative that's outlined in the economic update?

Mr. Kevin Page: Almost a hundred measures were put through the Budget Implementation Act. Some of them, like infrastructure, have had high lapses in the past. It is difficult to get the money out the door into shovel-ready kinds of projects to have an impact. That might be an example—based on indicators and money flowing—of a high-risk initiative. We wouldn't be getting the money out the door in a timely way.

Mr. Mike Wallace: So the risk of it not happening is the high risk. The better potential for it not to happen is your definition of high risk.

Mr. Kevin Page: Yes.

Mr. Mike Wallace: Okay. Thank you very much.

The Chair: Thank you, Mr. Wallace.

We'll go to Mr. McKay, please.

Hon. John McKay: I'm just looking at the chart on page 22 and trying to relate it to the things that ordinary folks would understand. If the budget did nothing, the employment impact would be somewhere below 17,100 jobs.

Can you just read that chart for me? I'm not quite sure I understand the implications of what you're putting into that chart.

● (1725)

Mr. Chris Matier: We've tried to provide the projections underlying the estimated economic impacts in annex 1 of budget 2009. This budget provided the end point of 189,000 jobs, and from the other assumptions on projected unemployment rates we've tried to back out the estimated levels of employment.

The lowest line reflects the actual job losses to date. If we assume there have been no impacts due to the stimulus at this time, this would exclude any impacts.

Hon. John McKay: That effectively means there are 16,900,000 jobs still left in the economy. Is that what it means?

Mr. Chris Matier: Yes. That's the level of employment in thousands.

If the world unfolded as was envisaged in the budget 2009 outlook, we probably would have stayed very close to that middle line—also assuming none of the stimulus impacts took effect that early on. But the world did not unfold that way, and there were significantly more job losses than had been forecasted. So the starting point of the economic challenge has shifted, and it's much more pessimistic than previously anticipated.

Hon. John McKay: It's quite dramatic when you chart it that way.

In your statement you say:

> As a small open economy, Canada’s recovery depends not only on the actions policymakers are taking to provide accommodative fiscal and monetary policies, but also depends crucially on global economic and fiscal developments.

The monetary capacity has pretty well zeroed out at this point. You can play around with some credit stuff, which is fine. The fiscal is already under water. So if the government wanted to get back to even its original line, it would have to anticipate putting in a massive fiscal stimulus. Is that a reasonable conclusion?

Mr. Kevin Page: I think you've had the opportunity to speak to Mr. Carney about monetary policy and what the transmission mechanism looks like as he lowers interest rates or provides quantitative easing to banks—the time lags that are involved. It's fair to say the bank is still hoping that impact will play out.

Chris has said that the starting point is much worse right now. The policy challenge is that much bigger. There will be a choice down the road about whether more stimulus is required and what the impact of it will be, but the starting point is significantly worse.

Hon. John McKay: So you run out of monetary stimulus and you're pretty well at zero. Your credit...there may still be some gas in the tank and you can still buy up more paper. But if the government is serious about addressing the employment problem, they have to immediately come up with an enormous fiscal stimulus package. If they just stay with the so-called plan they currently have, reality has already overtaken them.

Is that fair?

Mr. Kevin Page: With the output numbers and the employment picture we've seen in the first few months of the fourth quarter, the reality is very serious; it's much more negative. Whether additional stimulus will be needed in future budgets is a down-the-road consideration. We haven't implemented the current budget yet.

Hon. John McKay: Thank you.

The Chair: Mr. Page, I want to thank you and your colleagues very much for coming out today, for your presentation and information, and for answering our questions.

Colleagues, we'll meet tomorrow at 9 a.m.

Thank you.

The meeting is adjourned.

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