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Tuesday, December 8, 2009

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Chair

Ms. Yasmin Ratansi

Standing Committee on Government Operations and Estimates

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• (1530)

[English]

The Chair (Ms. Yasmin Ratansi (Don Valley East, Lib.)): Order.

Committee members, we will continue on with what are hopefully our closing studies on the economic stimulus package.

We have before us, from the Department of Finance, Mr. Paul Rochon, the Senior Assistant Deputy Minister; Monsieur Benoit Robidoux, General Director; and from Infrastructure Canada, Madam Yaprak Baltacioglu and Mr. John Forster; welcome again.

I understand you have some presentations with you that you will be talking about. Then we will start our questions.

I would like to ask the committee if we could finish around 5:05, so that we can discuss for the final 10 minutes what we want to do on Thursday—we have three options given to us for Thursday—because at 5:15 the bells will start ringing and then we'll have to go.

So at 5:05, if everybody is mindful of the clock...

À 17 heures? C'est parfait, oui.

With that, who is doing the presentation?

It's Monsieur Rochon?

Go ahead, please.

[Translation]

Mr. Paul Rochon (Senior Assistant Deputy Minister, Economic and Fiscal Policy Branch, Department of Finance): Thank you very much. It is a pleasure to be here with Benoit Robidoux and my other colleagues.

[English]

I thought what I would do very briefly, just to open up the session and provide some context for our discussion, is give you a very quick overview of how the Department of Finance estimated the 220,000 jobs maintained or created by the action plan that we had published in the budget and in subsequent reports. We have a short presentation that we can go through fairly quickly.

At the outset, it's important to recognize that we say “maintained or created”, because in a recession what we're largely talking about is maintaining or protecting jobs as opposed to new job creation.

The first major point is that the approach we've taken is a model-based approach. While I think it's fair to say there's no consensus on how to go about estimating jobs and output impacts of these types of

policy changes, by and large, when we look around the world, the consensus seems to be that a model-based approach is the way to go. That is for two primary reasons. First, models allow one to isolate the impact of the specific policy measures against everything else that's happening in the economy—for example, in the current context, changes to monetary policy, changes in the status of external demand in other countries. Second, the models allow us to capture the various channels of influence that fiscal policy has on the economy, which includes not only the direct influences—that is to say, for example, direct stimulus to housing, which feeds one for one into output—but also indirect impacts on other industries and the induced effects that these types of policies generate, particularly in recession periods, via their impact on incomes.

The various avenues of effect are summarized, on page 2 of the handout, in something that we refer to as output multipliers. You've probably seen these not only in our work but in work that the Congressional Budget Office and the Council of Economic Advisers in the U.S. have put out.

Essentially what we're trying to do here is provide you with an estimate of what a dollar spent on any one particular area translates into in terms of output, and then employment. For example, one dollar in infrastructure in the first year translates into about one dollar of output, and by year two, once the indirect and induced impacts build, that's about \$1.05.

At the bottom of the table, you see personal income taxes. Generally speaking, one dollar in personal income tax cuts translates into about 40¢ of economic activity in the first year, building to 0.9 in the second year, and then that effect would build over subsequent years. Of course, the reason for the difference between, in this case, personal income taxes and infrastructure is that a portion of that tax reduction is initially saved and not spent. Over time, as the effects build through the economy, so does the overall impact.

Using these multipliers, then, we're able to estimate an overall impact on output, and then based on historical relationships between changes in output and employment, we have come to the conclusion that it's reasonably prudent to assume that for every 1% increase in output, you get a 0.6% increase in employment. The combination of that approach leads us to the conclusion that the plan will create or maintain roughly 220,000 jobs.

I'll just point out in passing that the 220,000 number doesn't really include much of the impact from the work-sharing program, which has seen a large take-up.

• (1535)

[Translation]

In broad terms, that is the approach we used.

There is another consideration. When we look at recent economic developments, we come to the conclusion that, in general, those recent developments more or less correspond to what we were expecting from the package. Essentially, we are looking at an increase of about 220,000 jobs.

Page 3 shows consumer and business confidence. One of the main objectives of the package was to boost this confidence at a time when the world economy and the Canadian economy were in significant decline. You can see that consumer and business confidence has been restored.

On page 4, we see that government investment in the last two quarters of 2009 has increased markedly, with increases of 16% and 25%.

On page 5, we see that residential investment, which was one of the targets of the plan, has been very high recently, especially in renovation activity.

Page 6 shows that, overall, the domestic economy, which was the main objective of the package, remains stronger in Canada than elsewhere.

Finally, page 7 shows that, since March, employment seems to have stabilized in Canada, especially as compared to the United States. The unemployment rate is actually about 1.6% lower than in the United States.

That is the work and the follow-up that we have done since we examined the budget.

Thank you very much.

[English]

The Chair: *Merci.*

I guess that's it for the opening remarks.

We'll go to the first round of questions.

Madam Hall Findlay, you have eight minutes, please.

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

A particular thank you to our repeat guests for their additional time.

Thank you for the presentation. I hope to get to this in subsequent questions—it depends on how much time I have—but I will just suggest that we have a continuing concern with relying on models as opposed to facts. These are uncommon times, and we have been focused on looking for actual numbers. We know that in some departments, we and other committees have been able to receive actual job numbers by project. That is something we still seem to be lacking. So I appreciate that the approach here is one of a model base, but I'm not so sure we're completely comfortable that this is the only one we're using.

I want to address a couple of issues we had from our last committee.

I want to thank you, Madam Baltacioglu, for having provided the agreement between the federal government and, in this case, Ontario.

We had been speaking about the need for information on job creation and progress reports. In the last committee meeting, there was a significant effort to suggest that somehow the federal government was not entitled to the information that the province, in this case Ontario, had requested from municipalities for the infrastructure stimulus program.

I just want to read a little bit from the Canada-Ontario agreement:

8. ROLE OF ONTARIO

Ontario warrants and commits to:

- a) monitor the progress of the Projects;

So there's a positive obligation to monitor progress on the part of the province.

Section 9 specifically refers to progress reports:

9. ACCOUNTABILITY

9.1. Progress Reports

Ontario shall provide Canada with quarterly Progress Reports, commencing on August 30, 2009, (in accordance with the 2009 Budget Implementation Act and subsequent requirements) detailing progress on Implementation of the Projects:

It actually talks about amounts allocated; it talks about amounts received from Canada; it talks about amounts expended on the projects that have been detailed; and it also requires information on projects started and substantially completed.

I note that we have also spent a significant amount of time asking for information on amounts actually expended.

As my first question, has a progress report been received by Ontario—on August 30, I would have thought—and if so, can we get a copy?

• (1540)

Ms. Yaprak Baltacioglu (Deputy Minister, Office of the Deputy Head, Infrastructure Canada): The honourable member may not have it because of the committee's motion. The committee had asked us for the progress reports, the data sheets that we got from provinces, and we have provided them to the committee.

Ms. Martha Hall Findlay: If I may, we went through significant hoops at the committee to pass a motion to get the progress reports that were referred to in the Ontario agreement with municipalities. We continue to be told that there was no obligation or entitlement for the federal government to see anything, or that there was anything the federal government was entitled to from the provinces.

So I'm now asking specifically. This is the first we have heard that there is a provincial responsibility to provide a quarterly progress report to the federal government.

Do you have a progress report from Ontario that would have been required under section 9.1? We were referring to the agreement between Ontario and the municipalities. In fact, members opposite repeatedly tried to suggest that the federal government was not entitled to see those agreements. I am now saying that in the agreement between the federal government and Ontario, there is a separate requirement for the province to provide its own progress report to the federal government, the first progress report commencing August 30. Do you have that report?

Mr. John Forster (Associate Deputy Minister, Associate Deputy Minister's Office, Infrastructure Canada): There is a requirement under all of our contribution agreements with each and every province and territory to file a quarterly update to the federal government on the status of the projects, the money expended, and the claims they're making to the fund—i.e., how much the federal government requires.

The committee has already received, as has the Parliamentary Budget Officer, all the claims reports submitted in the first round in August and September. That was provided to the committee at your request. It has also been provided to the Parliamentary Budget Officer.

The second round of information was due in November, and we are about 90% of the way through verifying, cleaning up, correcting errors and omissions, and identifying incomplete data. We haven't yet finished verifying the second round of claims information. You have the first round. You do not yet have the second round.

As for what Ontario collects from its municipalities, further to the meeting last week, the agreement between us and Ontario requires Ontario to provide a provincial report to us. It does not require Ontario to provide us with the data it collects from municipalities and other recipients. We have, as you requested at the last session, gone to our lawyers to ask for legal opinion about whether our contribution with Ontario obligates Ontario to provide that data to us.

• (1545)

Ms. Martha Hall Findlay: We don't need a legal opinion. The section in this agreement, section 9.2.3, says that Canada may complete an evaluation of the infrastructure stimulus fund. I'm hoping that the federal government is actually going to be doing an evaluation of the infrastructure stimulus fund.

In full, 9.2.3 says the following:

Canada, at its own expense, may complete an evaluation of the Infrastructure Stimulus Fund for which Ontario agrees to provide Canada with all data and information available for this purpose.

That is a positive obligation on Ontario to provide that information.

Mr. John Forster: For evaluation purposes—

Ms. Martha Hall Findlay: The only thing we're talking about here, sir, is evaluation of the infrastructure stimulus program and, in particular, two issues that we've been on for some time: money actually spent and jobs created.

Mr. John Forster: Yes, and you have the money actually spent. All is outlined: how the government has decided to evaluate and estimate jobs created. There's nothing that we have at this point. We

have asked for a legal opinion on whether Ontario is obligated to turn that over to us. The initial review said no, but I have asked for a formal legal opinion from the department.

Ms. Martha Hall Findlay: With all respect, I think 9.2.3 speaks for itself. I'm not sure why the government is spending money on a legal opinion. It's pretty straightforward that Ontario has an obligation to provide data and information.

Ms. Yaprak Baltacioglu: Just for the record, we don't have the Ontario job numbers. We don't have them.

Ms. Martha Hall Findlay: You do not have Ontario job numbers?

Ms. Yaprak Baltacioglu: We do not have Ontario's job numbers, because we haven't asked for them. That's important to know.

Ms. Martha Hall Findlay: Okay.

Thank you.

The Chair: For the clarification of all members, at the last committee meeting, I had asked the members to agree to my distributing the information that Infrastructure Canada submitted to the Parliamentary Budget Officer. It is unilingual, and Quebec numbers are missing. It contains amounts allocated to projects by Canada, amounts received from Canada through this agreement, and amounts expended on the projects. It is province by province.

The committee said no, so it's not distributed. Okay? Thank you.

Madame Bourgeois.

[*Translation*]

Ms. Diane Bourgeois (Terrebonne—Blainville, BQ): Thank you, Madam Chair.

Good afternoon, gentlemen; good afternoon, Madam. First, I am going to talk to Mr. Rochon.

Mr. Rochon, I have always had great reservations about model-based approaches and forecasts. Although you consider some contingencies, this is still just a projection.

You say that, thanks to its Economic Action Plan, the government has created 220,000 jobs. I have a lot of difficulty grasping the truth of a statement like that. I am not doubting your work. But thousands of jobs have been lost in Quebec, especially in manufacturing and forestry. You are trying to sell me Canada's, or rather this government's, Economic Action Plan, which is supposed to have created 220,000 jobs, but I am having a really hard time swallowing it.

Then there is the matter of investments in housing. Just last week, some groups in Canada and Quebec said once more that they had not seen one red cent of the money that was supposed to have been invested, in social housing specifically. You understand why I might have my doubts about your opening statement.

You also mention the work-sharing program. It could be said that that program creates no jobs, it just moves the problem elsewhere. In a job with shared shifts, people share the work between themselves, and one group receives employment insurance one week and works the next week, and so on. People who were working now get employment insurance.

So it is difficult for me to accept your figures. Could you just take a few minutes to explain to me how I can accept the figures you have presented?

Mr. Paul Rochon: First, the figure of 220,000 jobs is for all the aspects of the plan together. There are tax cuts, there are increased employment insurance benefits, including initiatives for training and for sectoral assistance especially to the automobile and forestry sectors.

As for social housing, it is true that spending in Quebec has not moved forward as quickly as in other provinces. But, in some parts of the country, it is moving forward very quickly. At the end of the year, all the money allocated for this year will have been spent.

I agree with you that, in a period of recession, job creation really means job preservation. It is difficult to increase the overall number of jobs during a recession. But there are still 14,000 more jobs in Quebec now than there were in March 2009.

• (1550)

Ms. Diane Bourgeois: Excuse me, but those 14,000 jobs are temporary. If you want to talk about job quality... Those are part-time jobs.

Mr. Paul Rochon: Yes, but the employment situation nationally, across Canada, is clearly better than it is in the United States. You cannot spend \$27 billion without having some impact. We think that our overall forecasts are quite cautious. They are more cautious than the calculations they have done in the United States.

You say that you would prefer to have facts. You have to understand that job creation and the reporting of job creation are all about estimates, whether they come from the municipalities or macroeconomics. Even municipalities and the federal government do business with a number of subcontractors. So we have to estimate the number of jobs that have been created.

Take the automobile sector as an example. For every 10 jobs directly in the industry, there are 36 indirect jobs. If you asked people in the industry how many jobs they have created or preserved, they will say 10,000, whereas the actual answer is 36,000.

Ms. Diane Bourgeois: Using your model-based approach still, can we assume that the picture would be different if it were broken down by province?

You are telling me about jobs in the automobile industry, but I am asking you about jobs in Quebec. In Quebec, I know that thousands and thousands of jobs have been lost—more than 100,000, in fact—simply because the economic stimulus package has provided very little to manufacturing and forestry.

Clearly, in Ontario, you are going to create 36,000 jobs because you have poured in billions of dollars. But what about Quebec? Can we get a breakdown by province? Can we see how many jobs you have created?

Mr. Paul Rochon: That is not something we have done up to now. It would be possible to do it, but it may not be accurate. I do not know if the Department of Finance is able to do it.

If you compare the situation in Quebec to the situation in Ontario, you have to understand that the recession had a greater overall

impact in Ontario. In Ontario, 178,000 jobs have been lost to date, and 40,000 in Quebec.

Ms. Diane Bourgeois: Are those one-year or two-year figures?

Mr. Paul Rochon: Our calculations were done from the start of the recession, in October 2008.

Ms. Diane Bourgeois: But think of all the forestry companies that closed before that date; that is a form of recession too. You have not calculated that. This is why I am telling you that your model-based plan is all very well, but it only accounts for certain aspects.

Mr. Paul Rochon: I understand your concern. Perhaps the answer is just that it is hard to make a perfect assessment of a situation like this.

The Congressional Budget Office in the United States has done some work on this. They make exactly the same points. They say that the situation is very difficult. They analyzed all the job creation reports. They analyzed the work done by the United States Government Accountability Office. The conclusions are very simple and take up only three pages. It is very difficult to use examples and reports per project in order to do an overall calculation of the impact on employment or of the results of these kinds of initiatives.

• (1555)

[English]

The Chair: Thank you.

We'll now go to Monsieur Gourde for eight minutes.

[Translation]

Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC): Thank you very much, Mr. Chair.

I would like to talk to Mr. Rochon. On page 5 of your presentation, we see the growth of investment in homes and renovations. I think the renovation tax credit has turned out to be a very significant stimulus as we move forward. We see what it represents as a percentage, but is it possible to quantify its benefit to Canada in millions or billions of dollars?

Mr. Paul Rochon: We can't tell you exactly what impact these measures have had. All we know is that there has been a tremendous amount of interest in and many questions surrounding this credit. Businesses in this sector tell us that the impact has been significant. However, I can't tell you whether there is a direct link between this measure and renovation activities. No attempt has been made thus far to establish a connection between the two.

Mr. Jacques Gourde: I think you will have a better idea of the numbers when people start filing their tax returns and claiming the tax credit in February and March. I know that in my region, all of the renovation companies are busy and are hiring more staff. Business is also brisk at hardware stores. People are buying kitchen counters, doors and windows and so forth. Renovation companies in my riding are working full out. There is even a shortage of skilled workers.

Is the increase in activity tied to the various measures set out in Canada's Economic Action Plan, or to this specific tax credit?

Mr. Paul Rochon: The figure of 220,000 jobs is tied solely to Canada's Economic Action Plan. However, you are correct in saying that before Canada's Economic Action Plan was unveiled in the fall of 2007, the government had announced \$60 billion in tax cuts over five years, beginning in January 2008. We have calculated the impact of these tax cuts.

Mr. Benoit Robidoux (General Director, Economic and Fiscal Policy Branch, Department of Finance): The schedule to the estimates shows the impact of the Economic Action Plan as well as the impact of the measures announced at the end of 2007 that came into effect in January 2009. So then, schedule 1 to the Main Estimates lists the impact separately for this year.

Mr. Jacques Gourde: Were the tax cuts successful in preventing or delaying the recession in Canada? Households received an injection of cash. Did the cuts help to maintain consumer confidence in the Canadian economy, given the situation unfolding in the United States, our neighbours and, indirectly, our partners in this financial crisis?

Mr. Paul Rochon: I really believe a range of factors came into play. One was the reduction in the tax burden, but there were others too. In general, Canadian households, businesses and banks were much healthier, financially speaking, than the residential real estate sector. Canada did not experience the same kind of real estate bubble as the United States did. Furthermore, the government and the Bank of Canada reacted quickly, and on a very large scale.

Mr. Jacques Gourde: Has lowering taxes increased our businesses' competitive advantage over our US neighbours? Down the road, will some businesses prefer to set up shop in Canada, in light of our more competitive tax rate? Will lower taxes also have an impact on real employment levels?

We can see this from a chart that appears on another page. Today, the unemployment rate in the United States is higher than it is in Canada. For a period of about twenty years, the unemployment rate in Canada was always slightly higher than the US rate. Since 2006, the trend has shifted. Now, the Canadian rate is lower than the US rate by 2%.

Do you expect to see this trend continue, given all of the initiatives put in place on the personal and business tax front to improve our competitive position?

• (1600)

Mr. Paul Rochon: As far as businesses are concerned, you are correct in saying that the tax rate on investments in Canada will soon be 16.9%, compared to 33.9% in the United States. This is a tremendous advantage that should favour investment in Canada. I believe it's a long-term advantage, or in other words, an initiative that will have an impact for many years. While it will also have an impact in the short term, the benefits will continue to increase over time.

Regarding the unemployment rate in Canada and the United States, it is clear the Canadian rate will remain lower for a few years, but as for the long term...

Mr. Benoit Robidoux: It is a little difficult to know what's happening with the United States, in so far as the long-term unemployment rate is concerned. There is no real way of knowing how the US economy will recover. As Paul already mentioned, this

is the biggest gap between the Canadian and US unemployment rates since 1975. The Canadian economy is better positioned, structurally speaking, than the US economy. Therefore, it's possible this gap will not close. Will the gap remain the same as it is today? Probably not, but the Canadian economy is faring well.

Mr. Jacques Gourde: I have one last question.

Businesses and individuals will benefit from tax breaks totalling \$200 billion over five years. Furthermore, \$100 billion has been invested in Canada, in addition to the funding under the Economic Action Plan. In terms of stimulus initiatives, have we done more or less than our American counterparts? Are we talking about a ratio of two to one, or of three to one?

Mr. Paul Rochon: Are you talking about stimulus action? Canada's efforts are almost on par with those of the United States. However, in the US, a significant part of the stimulus program is tied to aid primarily to US states, and US states are cutting back significantly on employment.

Getting back to Ms. Bourgeois' question, if you look at the reports coming out of the US, you will note that the states are leading the way in terms of creating jobs. States are hiring people, or are not laying workers off. It is always difficult to draw comparisons between the two countries. Personally, I feel that Canada's stimulus plan is clearly superior to that of the US in terms of its impact on the economy.

Mr. Jacques Gourde: Canada's plan is clearly superior.

Thank you very much.

[English]

The Chair: *Merci.*

Mr. Martin, for eight minutes.

Mr. Pat Martin (Winnipeg Centre, NDP): Thank you, Chair.

We keep going round and round to witnesses, and I'm not sure we're still getting what we're looking for. I've been sitting here trying to decide whether we're just not asking the right questions—partly because we're lay people, we're not economists—or whether we're asking questions to which there are no answers.

That's what I've been trying to come up with—a line of questioning that might be useful. But I honestly don't know if I can.

If we're not asking the right questions, we need guidance. We need help to ask them. It's like Rumpelstiltskin or something: you have to say exactly the right word to make the magic begin. But maybe—it could be—there just are no answers to the questions we're asking, or not yet.

Is it simply too early to tell us how many jobs this stimulus money will actually create? Should we ask you to come back in six months or a year and look at it in retrospect, and then you could tell us the job creation?

•(1605)

Mr. Paul Rochon: Clearly, in retrospect we would have a better idea. I think there are certain things that we can say now about job creation. Monitoring the rollout of the plan is the first step.

As we indicated in the third report, in the auto sector in particular there are 52,000 jobs at stake there. So we know that. We have estimates, and they'll always only be estimates with regard to a number of elements of the plan, such as taxation and EI. We'll be able to tell you how many EI beneficiaries we had at a certain point in time. It's always difficult to say how many we would have had if we hadn't made the increases to the programs that we have made, but we can at least tell you what the enrolment was.

What's difficult is the infrastructure area where funds are flowing in the economy. We have yet to receive bills for that, but we know the activity is going on. So based on a series of assumptions at this point, we can tell you where we think we are, and more or less we think we're tracking.

But to go to your question of things like the home renovation tax credit, we'll know after tax-filing time at some point what the take-up was on that. We think it's large, but we can't tell you how large.

Mr. Pat Martin: I'd be interested to know—I know you can't answer, but maybe you could share your opinion, at least—how much of this recovery would be taking place naturally, without the stimulus. Is it reasonable to assume that Canada probably would have bottomed out and been on the road back to normal without this massive outpouring of spending?

Mr. Paul Rochon: I think that's an interesting counterfactual question to ask. I think when you start thinking about the answer, though, it gets awfully complicated awfully fast, because not only Canada but also every other country in the world engaged in a round of stimulus. We did it at time when we thought there was a risk of systemic collapse in the global economy. The measures, by and large, by country were very large, not only on the fiscal side but also on the monetary side. So it would be a guess, at best.

The main question before us is would the global economy have collapsed if we hadn't done this? We'll never know the answer to that. But we know the global economy has recovered.

Mr. Pat Martin: We also know that if we don't change the way we do things, we could be at the brink of collapse again. We're being cautioned now that Wall Street and Bay Street really haven't learned their lesson. They took a breather for six or nine months, and now they're right back to the unbridled gluttony that got us into this trouble to begin with.

I know it's not for the Department of Finance to comment on, but it does worry me that despite all the panic that was caused internationally, justifiably, they really haven't learned their lessons. Guys are getting unprecedented bonuses in companies that have shown devastating losses.

Structurally we haven't changed capitalism to level out some of the risk that we're all vulnerable to.

Mr. Paul Rochon: The only comment I'd make on that is just to remind you that most of those factors that led to the declines in the U.S. and Europe were not present in Canada.

Mr. Pat Martin: That's a good point.

I have one specific question. You list some of the output multipliers. That was something interesting that I gained from today's presentation. You don't put a value to this: what about one dollar spent on EI income maintenance? What is the multiplier effect or the impact of putting a buck in an unemployed guy's pocket?

Mr. Paul Rochon: That effectively is what we show as measures for low-income households. That multiplier more or less would capture the EI impact.

Mr. Pat Martin: Oh. I thought I saw somewhere that one of the quickest and easiest ways to get money circulating and multiplying was to have a person spend it in the local community.

Mr. Paul Rochon: Well, you're right that it is one of the quickest ways to get money out there—

Mr. Pat Martin: You give people some money.

•(1610)

Mr. Paul Rochon: You can give people some money. It's similar in some ways to a tax cut in the current circumstances, and it affects the economy right away. However, I guess the ultimate impact on the economy is going to depend on how much you think that person is going to save. Perhaps in a recession they'd save less. Perhaps they'd save more, however, because they're worried about the uncertainty of the future.

Mr. Pat Martin: The difference between the personal income tax cut and the income maintenance is that in income maintenance, they probably will spend it all. With a personal income tax cut, they might be in a position to have something to save.

Mr. Paul Rochon: Yes, and that is why the multiplier is lower for the personal income tax cut.

Mr. Pat Martin: I know we've primed the pump, but it would all be very interesting to us to know whether, if we could have simply ridden on the coattails of our major trading partners, we really needed to dive into this level of structural deficit again. I know it was an agreement amongst developed nations that we would all take part in this, but to me it seems such an irresponsibly scattergun approach to spending money.

Again, I'm not an economist, but the money was flying out the door. My whole political career has been spent in a period of belt-tightening and cutbacks and prudence and probity and pencil-sharpening. All of a sudden, all of that is out the window, and the conventional wisdom is the hell with balanced budgets; we were only kidding about that. We don't need balanced budget legislation, because clearly what you do when you get into trouble is spend as much money as you can.

The Chair: Mr. Martin, please wrap up.

Mr. Pat Martin: I'm done. I'm just killing time.

Some hon. members: Oh, oh!

Mr. Pat Martin: Couldn't you tell?

The Chair: Thank you very much. You had to make a statement, and you did it.

We now go to the second round for five minutes.

Madam Foote.

Ms. Judy Foote (Random—Burin—St. George's, Lib.): I want to pick up where Mr. Martin left off, actually—not the wrap-up bit, but trying to get a handle on job creation.

I've been reading the evidence from the Standing Committee on Industry, Science and Technology of witnesses who appeared before that committee on November 30. You had witnesses from Western Economic Diversification, from the Atlantic Canada Opportunities Agency, and from the Economic Development Agency of Canada for the Regions of Quebec. They were very specific about jobs created.

I will just give you one example. This was under the recreational funding. It says here:

The City of Mount Pearl, in Newfoundland and Labrador, received \$600,000 in RInC funding for a \$1.8 million upgrade to its main soccer facility, a project that created 33 short-term jobs.

When we talk about the stimulus funding and about the rationale for it being to create 220,000 jobs and to deal with the ailing infrastructure throughout the country, I have to ask, Madam Baltacioglu, when you say you haven't asked for job numbers, and part of the rationale for having the stimulus funding is to create 220,000 jobs, and it would appear that at least in some cases there are numbers available to you, *why* haven't you asked for those numbers?

How can you explain that, yes, you're going to create 220,000 jobs, but you're not asking for the numbers, so you really don't know how many jobs have been created?

Ms. Yaprak Baltacioglu: There are a number of issues, I think.

First, our regional development agency colleagues, I believe, are appearing in front of this committee or... You might want to ask them what they really collect.

From what I understand, they collect job information, because they work directly with the proponents, unlike us. We went into agreements mainly with the provinces. They work with a specific municipality, a specific proponent, and so on.

They asked for the job numbers, and apparently, because they're in the economic development business, they have been asking for this kind of data for a while.

I do not want to talk about who—

Ms. Judy Foote: No, I understand that. That's perfectly understandable.

Ms. Yaprak Baltacioglu: When it comes to infrastructure stimulus funds, the government has decided to ask for project progress data. How much money has been spent? What is the starting date? What is the end date? Have tenders been done? We covered that before.

The reason we did not ask for specific job information was that at the time, the reliability of the data was in question. I wasn't there, but these folks all were there, and they can explain it to you in further detail. When you collect information over many, many thousands of projects, through the proponents... It's the same problem the U.S. is

having right now—i.e., that \$980 worth of boots are creating nine jobs and so on. The reporting becomes inaccurate. The proponents sometimes give, I guess, exaggerated numbers or incomplete numbers. Comparisons between part-time, short-term, and long-term data become a problem. If a carpenter works, for example, on one bridge project and goes and works on something else, how do you account for those two things?

So there was a decision made that we wouldn't collect that kind of data, because of the reliability.

• (1615)

Ms. Judy Foote: I appreciate everything you're saying. This is my question, then. Was the 220,000 jobs figure put out there, as one of the criteria under this stimulus funding, really a number just thrown out there, when in reality there was really no way of counting the number of jobs created?

Ms. Yaprak Baltacioglu: No.

I'll turn to my colleague from Finance.

Mr. Paul Rochon: No, the 220,000 jobs figure was estimated by the department. We've published an annex in budget 2009 that goes over the details of the calculations.

In putting together the estimate, we asked two independent forecasting organizations to verify our assumptions—the Conference Board and the University of Toronto—on these multipliers we used. Generally speaking, they came in with multipliers that were higher than ours. We compared our estimates to the work that both the CBO and the U.S. Council of Economic Advisers put out, and again, in all respects, our estimates, we thought, were prudent, particularly in regard to the inducement to employment, for which our estimate was quite a bit lower than theirs.

The Chair: Could you wrap up, Mr. Rochon, please?

Mr. Paul Rochon: I submit to you that it was fairly comprehensive work that was done, with verification from outside experts, on what one could reasonably expect from this kind of program.

The Chair: Thank you.

We'll go to Monsieur Cardin or Madame Bourgeois.

Monsieur Cardin, pour cinq minutes, s'il vous plaît.

[Translation]

Mr. Serge Cardin (Sherbrooke, BQ): Thank you very much, Madam Chair.

Good day, Madam, gentlemen.

I'd like to come back to page 2, "Output Multipliers". As we well know, in the business world, project promoters always sing the praises of a project's economic spinoffs. We often see that happen in connection with major events. We're told that if we invest in a particular project, we will reap the economic benefits. So then, there is always a certain degree of economic recovery.

Regarding output multipliers, you have broken down the data in dollar increments to demonstrate the impact of a permanent one dollar increase. You also referred to the 220,000 jobs created as well as to \$27 billion in investments associated with the action plan.

Have all of the \$27 billion really been invested? Has the money been paid out? Are all of the projects that received funding now under way?

Mr. Paul Rochon: The \$27 billion figure corresponds to the total value of the federal government's stimulus package in 2009.

Mr. Serge Cardin: This is money that has already been paid out.

Mr. Paul Rochon: To date, 97% of the funding has been committed. We estimate that approximately 70% of the overall figure has been committed to projects now under way.

Mr. Serge Cardin: In your opinion, does the same ratio still apply? I was an accountant in a previous life and as I recall, \$100,000 in earnings corresponds to roughly one job created. That was more or less the ratio we worked with. Therefore, \$27 billion would translate into 270,000 jobs, more or less, that could be created. At least we hope that's the case.

You quote a figure of 220,000 jobs. As I see it, a 1% increase in the GDP translates into a 6% increase in employment.

In dollar terms, what does a 1% increase in Canada's GDP represent?

• (1620)

Mr. Benoit Robidoux: Approximately \$16 billion.

Mr. Serge Cardin: That means that for every \$16 billion, nearly 160,000 are created.

In terms of numbers, what does 6% of employment represent?

Mr. Benoit Robidoux: That is a good question. I do not have the employment figures with me.

Mr. Paul Rochon: Would it be \$1.2 million? No, it's more like \$16 million.

Mr. Benoit Robidoux: To be honest, I'm not really sure where you are going with this.

Mr. Serge Cardin: What does a 6% increase represent in terms of jobs?

Mr. Paul Rochon: About 900,000 jobs.

Mr. Benoit Robidoux: However, that is a qualified answer.

Mr. Serge Cardin: Are you saying that a 1% increase in the GDP translates into 900,000 new jobs?

Mr. Paul Rochon: No, when the GDP increases by 1%, employment increases by 0.6%.

Mr. Serge Cardin: And 900,00 jobs are created?

Mr. Benoit Robidoux: Precisely. One per cent of the GDP is equivalent to \$16 billion. So then, when the GDP increases by \$16 billion, employment rises by 0.6%. The employment base seems to be \$16.8 billion.

So then, if someone wants to calculate 0.6% of \$16 billion, they will come up with a figure that represent the increase in employment corresponding to 1% of the GDP. That figure is consistent with the 220,000 jobs. All I'm afraid of is that...

Mr. Serge Cardin: That's all I wanted to verify, to see if the figures jibed. All that to say that we are still off by quite a lot—by about 50,000 jobs— in terms of the number of jobs that could have been created or saved.

That is why I asked you if all of the funds had been spent. This would show the impact of not committing all of the funds. It is all well and good for the government to say that it is committing the funds, but that doesn't mean that a person has actually been hired for a job.

[English]

The Chair: Wrap up, *s'il vous plaît*.

[Translation]

Mr. Serge Cardin: All right.

Would the shortfall in terms of the number of jobs created be due to the fact that some infrastructure money did not go to Quebec? Furthermore, certain projects will not be carried out because the cut-off date is January 29 and more time would be needed.

Mr. Benoit Robidoux: One of the reasons why the growth in output precedes the growth in employment is that in our model, there is a time lag between the two. The impact of the 0.6 % increase is seen anywhere from four to six quarters after the increase in output. This is an additional element of caution that we added to the model. We rejected the hypothesis that employment increases just as quickly as output.

The increase in production or output must be sustained in order for employment to increase. There is therefore a certain time lag. If we do the calculations, we see that if the funds are fully committed, the overall impact on output would be noticeable, but not the impact on employment. That would be discernible later. If I understand your question correctly, this time lag could explain the difference to which you alluded.

[English]

The Chair: Thank you.

We'll have Mr. Warkentin for five minutes.

Mr. Chris Warkentin (Peace River, CPC): Thank you, Madam Chair.

Thank you for coming in this afternoon. We appreciate this testimony.

I agree with Mr. Martin insofar as he was contemplating the fact that we may, as a committee, be trying to pass judgment a little early on something that is still moving forward. So we understand we're probably working prematurely on some of this. But what we're looking for, as a committee, is kind of where we're at, and if we're doing the right things, and if there's something this committee can recommend be done differently.

We're getting a sense from all indications, from the media and from people on the ground, that things are moving well and that there are communities benefiting across the country.

Madam Baltacioglu, I wonder if you would help this committee understand exactly the value of the projects that have been announced, the value of the projects that have been given the green light in the country today in terms of the federal component, but then also the value when matched funding is included in that. I wonder if you could tell us, just from transport's side, what the value would be of the projects that have been announced and given the green light through the stimulus funds and through the different funds coming out of the most recent budget.

• (1625)

Ms. Yaprak Baltacioglu: In terms of infrastructure stimulus fund, we have 3,226 projects valued at over \$8 billion.

Mr. Chris Warkentin: Is that \$8 billion in terms of the federal component?

Ms. Yaprak Baltacioglu: No, that's together.

Mr. Chris Warkentin: That's combined.

Ms. Yaprak Baltacioglu: That's combined. The federal share would \$3.5 billion or \$3.6 billion.

Mr. Chris Warkentin: Okay, very good. We're looking for the total amounts, so I appreciate that.

Ms. Yaprak Baltacioglu: So in terms of Building Canada major infrastructure, there are 96 projects with a total value—again combined—of \$9.5 billion.

The communities component, together, is 1,255 projects, and the total value is over \$4 billion. So those are some examples.

Mr. Chris Warkentin: Those are helpful numbers.

If you have additional numbers, if you would table them with the committee that would be helpful.

Now in terms of FCM—

Ms. Yaprak Baltacioglu: The numbers I have are a week old, from our last appearance. I think my colleague has today's numbers, so we'll table them.

Mr. Chris Warkentin: Okay. That would be helpful.

We've heard testimony that FCM uses an analysis or modelling that states that \$1 billion of investment would result in 11,500 jobs being created. I wonder if that's similar to the numbers that Finance came up with in collaboration with the Conference Board and the University of Toronto, or do you have different numbers you've been utilizing in estimating jobs?

Mr. Paul Rochon: Yes, we have slightly smaller estimates. We understand how the FCM came up with its estimates. Ours are about 10% smaller than theirs.

Mr. Chris Warkentin: Would FCM's be in line with the Conference Board of Canada's? Do you know where the—

Mr. Paul Rochon: The FCM number is reasonable, given the margin error in these things.

Mr. Chris Warkentin: Okay.

This is what's helpful for us as a committee. What we're trying to do, in the absence of the jobs being done...and what we're trying to get a sense of is what has been freed up in terms of the economy today. How many people could possibly be working as a result of the

green lights being given? The numbers you have stated this afternoon give us a good indication. We can start to make some analysis out of that.

In the fullness of time we'll find out, but my sense, coming from a constituency where the infrastructure dollars are valued highly by the municipalities, is that there is no municipality that's not going to move forward on their project, because they see this as an opportunity. So I think we can reasonably expect that 90% of these dollars that have been allocated to different levels of government will be spent in the fullness of time, and these jobs will be created. So I appreciate that.

In terms of additional benefits... Well, let me switch gears and get a sense from Finance on what Mr. Martin was asking about, with regard to certain types of investments and how they translate into the economy. We see infrastructure investments, we see housing investment measures, and we see measures for low-income households. I would suspect that these are on the upper threshold of—

The Chair: Mr. Warkentin, please finish your question.

I am very engrossed when you're asking questions, so go ahead and finish quickly.

Mr. Chris Warkentin: Thank you, Madam Chair, and I appreciate the fact that you're going to allow me to continue.

What I'm curious about is that with the absence of all the different options and places that government could invest money in, would these four different measures be within the highest threshold of return on investments?

The Chair: A very brief answer, please.

Mr. Paul Rochon: Yes.

In developing the action plan, the government had to find a way to balance speed of implementation with magnitude of effect. Some of the things that we can do very quickly, such as reducing taxes and increasing EI benefits, have lower initial impacts on output than something like infrastructure, but they could be put in place right away, and in many cases, target people who are most in need—EI, for example.

• (1630)

The Chair: I have to stop you there, because I've gone over six minutes.

Madam Hall Findlay.

Ms. Martha Hall Findlay: Thank you very much.

I mentioned at the beginning that I had some concerns about the modelling. I understand the value of modelling, and I understand the value of the Conference Board of Canada, for example, participating.

Two things, though. First, economists have been somewhat surprised at what appears to be and is often referred to as a jobless recovery. So I think earlier models based on infrastructure spending plans or stimulus spending plans elicited certain projections, but economist are now seeing this so-called jobless recovery. I'm not asking you to comment on that. I'm just pointing that out, that it might be a problem with earlier models having been used.

The other challenge I have with modelling is that it assumes that everything is done properly. In this government, we have seen in the past some real challenges with a particular large spending program where a small number of criminals took significant advantage of big spending in a relatively short period of time without accountability. I was one who applauded the effort toward greater accountability, because we don't want that sort of thing to happen.

My concern here is that with only relying on modelling, without actually asking for facts, without asking the regional programs for specific numbers attached to specific projects, the opportunity here... particularly because it's so much money and it's going out relatively quickly, and especially in different levels of jurisdiction it can be even harder to track. I don't disagree with that.

But I remain very concerned, and I put it out to you, have we not learned? I am very concerned that there is an opportunity here for people to take advantage without the accountability for hard jobs. So I put that there, but I actually have a question based on the agreement between the federal government and the provinces.

This is section 12, and it has to do with communications:

The Parties hereby agree to follow the terms of the communications protocol set out in the Canada-Ontario Infrastructure Framework Agreement signed July 24, 2008.

I'm assuming that's a publicly available document. If not, I would just throw out here that we would like to have a copy of that.

The section goes on to say that

Canada will provide Ontario with guidelines, graphics and branding requirements to be used in all communications regarding the Canada-Ontario Infrastructure Stimulus Fund Agreement.

Can I ask our representatives if the documentation for those guidelines, graphics, and branding could be tabled for us?

Ms. Yaprak Baltacioglu: I might be wrong—the clerk of the committee may verify this—but when the Clerk of the Privy Council and deputy secretary of plans and consultation appeared, they did share the government directives for signs.

Ms. Martha Hall Findlay: That's actually different, because that's an overall PCO involvement. I'm referring specifically to what's under this agreement for infrastructure spending.

If it's the same and you can confirm that, or, if it's not the same and you can table it, that would be very good.

Ms. Yaprak Baltacioglu: From what I know, it is the same. I'll double-check to see if we've added anything, but it is pretty consistent across the country.

Ms. Martha Hall Findlay: I actually want to see the guidelines, graphics, and branding requirements as they were laid out for the provinces.

Ms. Yaprak Baltacioglu: Right. They're probably the same things as PCO showed you, but we'll look at it.

Ms. Martha Hall Findlay: If you can confirm either way, that would be great.

I have a quick question for the finance department. In terms of the claim of 90% committed...and I understand that's not actual, that's committed. I understand the benefits, too, of even though it hasn't been paid for by the government yet, the commitment has been

made, so the provinces and municipalities are spending. We don't disagree with that in terms of the process.

I would like to know at what point Finance had enough information to be able to say 90% was the number. At what point in time chronologically, what date, would Finance have been able to give the 90% number that has been claimed in the economic report?

• (1635)

Mr. Paul Rochon: It's 97%.

I would say it was roughly mid-November, mid to late November. It would vary by project or by program area, but...

Ms. Martha Hall Findlay: There was a global claim of, yes, over 90%.

So it was mid to late November?

Mr. Paul Rochon: Yes. We go through by program, as we've indicated and documented in each of the reports. You've got a fairly detailed listing by program of amounts committed.

We work as close to the deadline as possible. We published the report on December 2, I believe. Depending on the program, mid to late November we would have finalized it.

Can I just make a comment on something? You mentioned accountability at the outset. We appreciate that, and agree that accountability is extremely important. With respect to this program, of course, the Auditor General is taking the exceptional step of auditing the program as it goes along to deal with some of those, to ensure we've got proper accountability. As well, the government has put out four reports, which is quite exceptional.

Finally, with respect to the jobs numbers—

The Chair: You'll have to wrap up quickly.

Mr. Paul Rochon: —our main point is that if you want to use those reports that you're getting from recipients of the moneys to calculate total jobs, it's going to be very difficult.

The Chair: Thank you.

Mr. Holder, for five minutes.

Mr. Ed Holder (London West, CPC): Thank you, Madam Chair.

I'd like to thank our guests for attending today.

Madam Baltacioglu and Mr. Forster, you're starting to feel like old friends. You've certainly been here a number of times. Perhaps we can hang around your place for coffee sometime.

Voices: Oh, oh!

A voice: Oh, boy; this is getting better.

Mr. Ed Holder: I do want to say thank you, because you've been very professional, and your testimony has been very helpful.

I'll presume, Mr. Rochon and Mr. Robidoux, that your testimony is equally helpful. Actually, it has been.

I say this quite sincerely, because I think a comment was made by the ombudsman a couple of meetings back that sometimes it doesn't feel as if we as members of Parliament appreciate the hard work of our officials. I just know I speak for all of us here at this table when I say well done.

Mr. Rochon, you mentioned at the outset in your comments about the 220,000 jobs created or maintained as a result of Canada's economic action plan. Then I heard you make a reference to the Conference Board and U of T in subsequent testimony. Also you went to them to backstop your numbers, as it were. You determined, as a result of that, that the numbers you've indicated are actually conservative estimates—good word.

Here's my more practical question. You said they used higher multiples. Based on your estimates that 220,000 jobs were created, could I get a sense, using those other two centres of reference, what they might have estimated the jobs to be created?

Mr. Benoit Robidoux: I can answer this.

First, we got their output multipliers and their multipliers from output to jobs. I think we'll have to check with them first that they... they gave us their multipliers through the budget process. They never see the final result and the stimulus.

I think we would like to get back to them and ask if they still agree with their multipliers, which I think they will.

In terms of the numbers we get by applying the multipliers, I guess we could run it. The only thing I could tell you is that with the Conference Board, the number will be slightly higher than 220,000. With the University of Toronto model, the number will be significantly higher.

I would say that the Conference Board of Canada, in the low range of the two for most of the multipliers...but were fairly high. As Paul was saying, in terms of translating output impact into job impact, their multipliers were fairly large. For example, for...and infrastructure, the one I looked at before coming here, in both cases, their multipliers between output and job were higher than what we assumed in both cases.

But we'll have to look at the numbers. In one case, I would say it would be significantly higher. For the Conference Board, it would be slightly higher.

Mr. Ed Holder: Mr. Robidoux, I'm not one to go back and ask you for a make-work project, but I would be grateful to receive those numbers. Let me share with you why that is.

It seems to me this government has been beaten up, fairly or otherwise, and I would suggest to you not so fairly, in terms of jobs created. While it may not be an exact science, when credible sources like your own and the other two forecasting groups you've mentioned have a range, it might be rather interesting to say at least under 220,000 jobs and "depending on". This isn't polling. This is using some reference points to try to come up with credible numbers.

I would like to know that range. I think it would be useful for this committee to know that range. For the record, at the lowest end we're talking 220,000 jobs and potentially higher.

But I'll come back to make another point.

• (1640)

The Chair: Mr. Holder, when you finish, that will be your last question.

Mr. Ed Holder: But I'm doing so well, Madam Chair.

The Chair: I know, I know. You're not as charming as Mr. Warkentin.

Voices: Oh, oh!

Mr. Ed Holder: I know. He is compelling.

Let me come back here. You talked about money actually spent, jobs actually created, but I think there's a missing piece there, and that is the legacy of needed facilities as well. Whether it's in my city of London, where city hall renovations...

Again, there are three partners in this, lest we all forget. We have provincial and municipal colleagues.

At any rate, we have those kinds of upgrades. We even have a soccer pitch. I'd suggest to you that some projects clearly are more job-intensive than others, and some much less, but on average—

The Chair: Ask your question quickly.

Mr. Ed Holder: —you're saying that you're comfortable with your multipliers for your purpose.

Mr. Paul Rochon: Yes, we are.

The Chair: Thank you.

Madam Bourgeois.

[*Translation*]

Ms. Diane Bourgeois: Thank you, Madam Chair.

My question is directed to either Mr. Forster or Ms. Baltacioglu. As you know, elections were held in Quebec and that resulted in about a three-month delay in the submission of infrastructure projects and in the flow of stimulus funds. We know that the deadline for funding these projects is January 29, 2010.

Recently, the Fédération des municipalités du Québec and the Union des municipalités du Québec called upon the government and senior officials, including yourself, to show some flexibility.

Have you discussed the situation amongst yourselves? Can we expect an announcement to be made eventually, one that would give Quebec permission to submit projects after the deadline, given that many Quebec municipalities lost three months?

[*English*]

Ms. Yaprak Baltacioglu: Thank you very much for the question.

Our priority has been, and is, working with the Quebec government to get the commitments in place. As you know, within Quebec's share, especially in PRECO and waste water and water projects, we are working with the Quebec government and we're hoping to meet the deadlines.

So that's where we are. We have been having conversations with the municipalities, but I can't really say more than that.

[*Translation*]

Ms. Diane Bourgeois: However, if I understand correctly, you are open to being more flexible.

[*English*]

Ms. Yaprak Baltacioglu: The government's position has been outlined in the December report to Parliament. That's the position that's stated. Our minister repeated this position I think in the Standing Committee on Transport, Infrastructure and Communities last week.

[*Translation*]

Ms. Diane Bourgeois: Mr. Rochon, did you in fact say that a job saved is a job created?

Mr. Paul Rochon: No, I said that in recessionary times, when we talk about 220,000 jobs created or maintained, we are more than likely referring to jobs that have been saved rather than created.

Ms. Diane Bourgeois: Are you saying then that the announced figure of 220,000 jobs could refer to jobs saved?

Mr. Paul Rochon: Certainly. The number of jobs is up by about 35,000 over March 2009. Without the stimulus program, jobs would have been lost.

• (1645)

Ms. Diane Bourgeois: That observation really does shed a new light on the discussions that we have been having for some time now. To our way of thinking, a job created is one that is added to the existing pool of jobs. You seem to have a totally different perspective on the situation.

Mr. Paul Rochon: In a recession, employment shrinks. It is unrealistic to think the government can bring in a program that will...

Ms. Diane Bourgeois: A program that will create 220,000 jobs over and above existing jobs.

Mr. Paul Rochon: That's correct. However, if we take a look at the situation in the United States, we will see that seven million jobs have disappeared. The US government has brought in a program to save three million jobs.

Ms. Diane Bourgeois: Excellent. What you have just told us is very enlightening. I have one final comment. On page 5 of your submission, you focus on real residential investment and renovation growth.

[*English*]

The Chair: Madam Bourgeois—

[*Translation*]

Ms. Diane Bourgeois: If memory serves me well, regarding home renovation, people needed to spend a minimum of \$10,000 to qualify for a tax credit of about \$1,300.

First of all, can you tell me if this program has had a significant impact and if it has led to a surge in the demand for home renovations?

Secondly, could we have a breakdown of the figures by province, to see how many people actually took advantage of this program? In

order to claim the \$1,350 tax credit, people had to have \$10,000 to spend.

[*English*]

The Chair: Madame Bourgeois, you have to finish.

[*Translation*]

Ms. Diane Bourgeois: Thank you.

Mr. Paul Rochon: We do not have any specific data at this time. We will once people have filed their tax returns. We do know, however, that approximately two million people made enquiries, and stores selling renovation and construction materials have told us that the credit has had an impact on business.

[*English*]

The Chair: *Merci.*

Mr. Martin, you have five minutes.

Mr. Pat Martin: Actually, Madam Chair, I don't have any further questions. Perhaps you might like to take some time for yourself?

The Chair: With the committee's consent, can I take Mr. Martin's time?

Some hon. members: Agreed.

The Chair: Thank you.

I have a couple of questions and they relate to what Mr. Cardin asked you. We were talking about economic models, simulation, etc., and Mr. Cardin as an accountant asked you a question about an increase in 1% of GDP, which is equal well into \$16 billion, resulting in an increase of 0.6% in employment. That 0.6% translates into 96,000 jobs—accountants calculate pretty fast—so \$4 billion would create 28 million jobs.

I am just a little confused as to whether the 220,000 is not really job creation but it is trying to keep the jobs from disappearing as well as creating new ones. If that's the case, then we probably get our answers and then we know where we're going with this.

Mr. Benoit Robidoux: No, there is nothing to do between the numbers and jobs maintained or created. The estimate we have is for the two together. We couldn't make the difference between how much will be created and how much will be maintained. So it's not the source of your puzzle.

There are two sources for your interrogation. One is that we are saying we will create 220,000 jobs by the end of 2010. The idea is to make sure we create some jobs and we keep that level up to the end of 2010. In some sense, we're talking about \$100,000 to create or maintain a job. If you use that as a scaler, you need that amount in 2009 and in 2010. You need to create that job and keep that job maintained or created. You need to divide the package by two to start with. The government has a package of 4% of GDP; you need to divide it by two to apply these rules.

It's easy to create a job or maintain a job, but they could disappear very quickly if the money is withdrawn quickly.

• (1650)

The Chair: In your simulation model, would you say the jobs created are permanent jobs, or would it be hourly jobs?

Mr. Benoit Robidoux: There are jobs that will be maintained or created by the end of 2010. This is using what was assumed to be spent in 2009-10. We came to the conclusion that we would have 220,000 more jobs at the end of 2010 than otherwise.

Are they created? Are they maintained? In some cases they are created, so they are really new jobs that wouldn't have existed otherwise. In some cases, they are jobs that people are not laid off from and they would have been laid off. So it's both of them.

The Chair: Fair enough.

There was a question posed that, as Finance, you project issues, and that's your job; you have to project the future. When you do the budget, you have to project how much investment we need, how to get out of a recession, what the urgency is, and how much deficit will be created. However, as a committee and because we are the government operations committee, we need to ensure that we are the sober thought. That's why we have been repeating the question: if you made these assumptions, are your assumptions correct?

Give us a backup to your assumptions and help us understand whether you are really creating jobs and will therefore get us out of the \$56 billion deficit, because Canadians look at it and say, "Okay, I am willing to take on the deficit if I can see a way out of it." In your projections, can you see a way out of the deficit through this job creation?

Finally, between your third report and your fourth, infrastructure funding has gone down by \$1 billion. How will that affect your simulation model?

Mr. Paul Rochon: To answer your questions, a big part of the government's plan to wind down the deficit is to ensure that the plan is temporary and winds down as planned. Just doing that reduces the deficit from \$56 billion to something like \$27 billion.

The Chair: It doesn't if the economy doesn't recover, but there is a logic behind it.

Mr. Paul Rochon: That's based on—

The Chair: Can you answer my \$1 billion question, please? It was the question about how reducing the infrastructure funding by \$1 billion—

Mr. Paul Rochon: The \$1 billion has been transferred from 2009-10 to 2010-11, so it will not have a material impact on the number.

The Chair: Fair enough. Thank you.

Go ahead, Mr. Holder, please, for five minutes.

Mr. Ed Holder: Thank you very much.

The chair was so impressed by my line of questioning that I have an opportunity to ask a couple more questions.

Before I do, I'd like to read into the record something the committee might find very compelling. It's from Mr. Michael Atkinson, the president of the Canadian Construction Association, who said, "While building permit numbers often shift sharply from month to month, there is no doubt...the growth reflects stimulus spending by governments that's finally leading to projects and construction activity, particularly in the education sector." He went on to say that in some parts of the country, where private sector work

is at a standstill, "if it wasn't for [government money], there'd be no construction going on at all".

I think those remarks give credence to the comments you're all making.

I think it's rather timely that we are discussing jobs and impact here today, because Statistics Canada reported that almost 80,000 jobs were created in November.

By the way, I still don't believe we're out of this. I think we've all said that we have to be careful. This is a fragile recovery and a global recession, but the unemployment rate has gone down another point, from 8.6% to 8.5%, and even in my own city of London, Ontario, where the region has had the second-highest unemployment rate in Canada, in this past month we went down one full percentage point. That hopefully bodes well, and I certainly hope it's an indication of things for the future.

Mr. Rochon, I don't think you had the opportunity, and this would be my question with—

The Chair: You're the last person to ask a question. You're the final one.

See how I like you?

Mr. Ed Holder: You treat me with great regard, Madam Chair. I know that will carry on, and thank you.

Could you expand, Mr. Rochon, on your comments to the chair in response to her questions? Talk about what happens when the stimulus spending is done and about your confidence in being able to handle the deficit.

Mr. Paul Rochon: In September, the government put out a fiscal projection, and we think we are still on track. Under those projections, the current year's deficit of roughly \$56 billion is projected to fall to \$27 billion by 2011-12. That reflects a resumption of economic growth and also assumes that the plan winds down as is currently planned. In subsequent years, with ongoing growth in the economy, the deficit falls to about \$5 billion by 2014-15. The government has indicated a general approach to dealing with that deficit, if required, that is focused on controlling spending in the first instance.

● (1655)

Mr. Ed Holder: It's rather interesting, because I heard Mr. Martin earlier in his comments reference this as a structural deficit. If I recall, and I want to come back to quoting the finance minister—hopefully not inappropriately—he said it's temporary and targeted spending. To me, that is not defined as a structural deficit.

As a final thing—I want to come back to this as my last point—we talked about this whole issue of jobs and whether it's easier to do a retrospective or a prospective forecast. Obviously, retrospective is always easiest: for obvious reasons it's easier to know.

I know we put a lot of emphasis on jobs created. Are we best just to catch our breath a little bit, knowing there is some positive news out there in the economy; to not sound death knells or dire warnings, but in fact just take a moment to allow some time to tell us how and how well this has been working? Do you have any comments on that?

Mr. Paul Rochon: I would agree with the general proposition that the focus of the government should be to ensure that amounts are spent as planned and that they're spent effectively and appropriately. We can have a debate on jobs created and on the various sources of information one should use to calculate that. In the first instance, getting the money out is the main priority. In a couple of years we will be able to determine the exact number of jobs. When we're spending \$62 billion, we know it's going to have an impact on jobs.

Mr. Ed Holder: Again, let me thank our guests, and our old friends as well, for coming back.

Thank you very much, Madam Chair.

The Chair: Thank you.

I have two items that have been asked for by the analyst and the clerk.

Madam Baltacioglu, I understand you've gone 90% through the second report, the November report. When will it be available so that the analyst can have it? The analyst will do the roll-up, so that even if it's only unilingual, we will be able to get the information.

Ms. Yaprak Baltacioglu: I think it should be no later than the end of next week. It's just that we're waiting for information back from the provinces.

I'm just writing...signing your letter, actually.

The Chair: Okay.

Mr. Forster, you had some comment to make on why the Quebec information is missing.

The Clerk of the Committee (Mr. Marc-Olivier Girard): In the first quarter.

The Chair: Yes; why it was missing in the first quarter.

Mr. John Forster: In the first report, Quebec did not provide updates on the projects in August. A lot of them were announced in July, so there wasn't much to update. They have reported in November.

The Chair: Okay.

Do you have any closing remarks, Mr. Rochon? No?

Monsieur Robidoux.

Mr. Benoit Robidoux: I had a question about what would happen if we used other multipliers for the jobs impact. What I could say right now, in fact, is if we would have used the CBO multipliers in the U.S. or the Council of Economic Advisers, what they assume is a multiplier of 0.75 between output and jobs instead of 0.6. This is 25% higher in terms of multipliers.

So instead of 220,000 we would have had something more in the range of 275,000. This gives you an idea, if we would have used U. S. assumptions, of how much higher the estimate would have been.

Mr. Ed Holder: Is it equally as possible, then, that there could be that many jobs created?

The Chair: They say create or maintain, so we do not want to split hairs on this.

I'd like to suspend the committee for 30 seconds. Bells will ring at 5:15 p.m.

Thank you very much for being here. We hope to see you again. We've become such good friends, we'd like to see you.

Committee members, don't get up, I need to finish this up. I have a question for you.

For the Thursday meeting I have three options that have been proposed. Number one is that we discuss future business and utilize the committee for future business. Number two is that, as Madam Baltacioglu mentioned, there are regional development agencies that collect job data. If we want to call them back, we call them. The third, and I'm sure you'll take the third, is that there is enough fatigue on the economic stimulus package, and the analyst needs to finalize the report. We just need the November figures, and the fifth report that we were talking about, so that we give the committee members a break.

Some hon. members: Hear, hear!

The Chair: We go away and you promise to e-mail to us what you would like to study for future business.

Which option do you wish?

Yes, Mr. Warkentin.

• (1700)

Mr. Chris Warkentin: We like the third option, Madam Chair, and if we could just plan, for the first meeting in January, to have new and arising business, I think there'll be an opportunity for us to think over the break.

The Chair: Committee members, could I request, please, that you send in your suggestions? You will have had a break. You will have been away from here. Your heads will have been cleared. You'll be able to think clearly as to what we need to study.

An hon. member: I want to talk to Santa and see what he says.

The Chair: Okay.

Do we need a vote on this number three? We don't need to vote on this.

Number three: done. No meeting, therefore, on Thursday.

Before you leave, the two speakers, the Speaker of the Senate and the Speaker of the House, have invited us for the Quilt of Hope exhibition at 199 Sussex Drive. I was told to advise you that the green buses will be leaving Parliament Hill at 6 p.m. and will go every 20 minutes. If you do not know this, 199 Sussex Drive is the building that the Prime Minister opened. It's the Delegation of the Ismaili Imam, next to the Saudi Embassy.

Thank you.

Mr. Ed Holder: Whatever way you celebrate, may I just say to the committee Merry Christmas. *Joyeux Noël*.

Some hon. members: Hear, hear!

The Chair: Merry Christmas and *Joyeux Noël*.

The meeting is adjourned.

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