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Mr. Tom Lukiwski

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● (1530)

[*English*]

The Chair (Mr. Tom Lukiwski (Moose Jaw—Lake Centre—Lanigan, CPC)): Colleagues, even though not everyone has arrived yet—I believe they're on their way—we do have quorum, so I'll start.

For the first hour today, Mr. William Robson, President and Chief Executive Officer of the C.D. Howe Institute, will speak with us and answer any questions we may have on public sector pensions.

Mr. Robson, I think you know how committees work. We'll entertain your opening statement, which I believe will be approximately 10 minutes or less. Then we'll go directly to questions from all our committee members.

With that short introduction, Mr. Robson, the floor is yours.

Mr. William Robson (President and Chief Executive Officer, C.D. Howe Institute): Thank you for the invitation to appear in front of the committee today. I don't know whether I'll succeed at entertaining the group, but I hope this will be informative. I'll also be glad to answer your questions.

You will know, I think, but I'll underline, that the federal government's pensions are a major component of the compensation of its employees, including members of Parliament. Ensuring that we have meaningful measures of the value of that compensation matters. It matters for getting the compensation right, paying federal employees properly for the work they do, and giving taxpayers value for their money. Meaningful measurement of those promises also matters when it comes to ensuring that we're funding them properly and allocating their costs fairly over time.

We don't have to look very far away or very far back in time to see how important it can be to get these things right, or conversely, to see the problems if you don't. In the United States in the last few years, we've heard a number of cautionary stories. Members of the committee will know of municipalities in California that have gone bankrupt. Closer to the Canadian border, we had Detroit. Puerto Rico made the headlines recently for similar reasons. All of these jurisdictions had great trouble actually coming up with the cash to pay their employee pensions, then discovering that the cost of these promises was much higher than they expected.

The common element in all those episodes was that the pension plans were underfunded. The main reason they were underfunded was that they discounted the payments that they had to make in the future, using discount rates that were much too high. They did that because it shrinks the liabilities on their balance sheet and it justifies charging contribution rates that are too low.

The managers liked it because it made everything look good. The elected representatives liked it because it helped keep taxes and market borrowing down. And the workers, or at least their representatives, liked it because it made their pensions look secure and left more money for current compensation.

Everybody likes it, until the Ponzi game of making payments not from returns on the investment but from incoming cash gets exposed. When that day comes and cash payments must be made but there isn't enough cash there to make them, nobody likes it.

The obvious question is this: Could that happen here in Canada? Happily, many pension plans in Canada's public sector are not like those that have caused trouble in the United States. They're not all equally healthy, but the shared risk plans in the broader public sector, in most provinces, have two key features. They use economically realistic, meaningful discount rates when they look at the future payments they have to make. They also have the flexibility for contributions and benefits to respond if the financial reports indicate that they should.

Unhappily, however, the federal government's pensions are not like that. They are pure defined benefit plans. They're relatively generous by the standards of other public sector plans in Canada, and private sector plans certainly. The financial reports we get on them use discount rates that are too high. Their liabilities on the balance sheet are too small. Their ongoing costs that we see in the federal government's statement of operations in the federal budget are too low. Those pensions are, in short, more valuable to their recipients than what the federal financial statements indicate, and they are correspondingly more costly to taxpayers.

I will mention, because you're members of Parliament, that the pension plans for federal members of Parliament are a particular problem. They are completely unfunded. You could be forgiven for not knowing that. You'd need to read the chief actuary's reports on them very carefully to discover that. The assets in these plans are simply bookkeeping items. The contributions that go into the plan actually buy no assets. The benefits that go out of them are funded by current revenue and market borrowing. The cost of the payments in the future will be higher than what you see in the financial statements.

That is not true of the big federal employee plans for the public service, the Canadian Forces and the RCMP. Those plans are partly funded. Contributions since 2000 have bought assets, but the pre-2000 obligations in those plans are completely unfunded. The value of all of the obligations, pre- and post-2000, are understated because of these excessive discount rates.

● (1535)

Why do I say the discount rates are excessive? The promises to pay these pensions are unconditional. They are like any other federal government debt that is an unconditional promise to pay. They are indexed to inflation, and that means there is a ready comparator for that kind of an obligation. They are like the federal government's real return bond.

If I were a federal public servant and someone offered to buy my pension from me, I would use the discount rate they yield on the federal government's real return bond in thinking about how much it's worth. If I were a taxpayer thinking about how much money I need to set aside, because one day I'm going to have to pay taxes to pay these pensions, I would look at the same thing. I'd look at the asset that matches the liability, and that 0.7% real return is the return that is applicable. That's the accumulation rate I could expect.

The problem is that the federal government's pension liabilities are discounted at much higher discount rates. I can go into that in response to questions. That used to be a common practice in many pension plans, but it's becoming less prevalent over time because of some of the problems that have emerged with pension plans.

If we use an economically meaningful discount rate, and if we think about the real return bond as the right benchmark to use in valuing the federal government's pensions, the federal government's pension obligation and its net debt are understated at the end of the last fiscal year by about $100 billion—$96 billion.

To put this in perspective on the way forward, recent reforms raised the share of participants in funding these plans—that applies to the MP plans too, thinking about the contribution rate—and it aims at a fifty-fifty split, more or less. But there's a problem with that formula because it's based on an ongoing cost that is held artificially low because of these high discount rates used to estimate the value of these plans.

Even as we get to 50% contributions by the employees, the true economically meaningful split of the cost will not be fifty-fifty. The taxpayer will still be left with the bulk of it, and when I say “the taxpayer” I mean much more the future taxpayer than the current taxpayer. We're storing up trouble for the future.

More economically meaningful reporting of these plans, benefit values and their cost to taxpayers, I think, would be a valuable step forward in helping the federal government think about its ongoing obligations and how to fund them.

I will add as a footnote, and then I'll close, that the Public Sector Accounting Board is currently consulting over key questions that relate to this, both the timing of recognition of changes in the value of a pension plan's assets and liabilities, and also the discount rates used. There may be changes in public sector accounting standards coming down the road that would encourage or mandate the federal government to move in this direction. Whether they do or not, I think it would make sense for the federal government to look at these things on an economically meaningful basis. I think if it did, there would be better funded pensions for federal employees, including members of Parliament, and it would also provide protection for taxpayers against risks that few of them know that they run, and against costs that they don't currently know they're shouldering.

Thank you for the opportunity to testify. I'd be glad to take your questions.

The Chair: Thank you very much, Mr. Robson.

I can assure you that your comments about the members of Parliament's unfunded liability in the pension plans certainly have the attention of all of the members of this committee.

We'll go directly to questions from committee members.

Mr. Jowhari, you're up first for seven minutes, please.

Mr. Majid Jowhari (Richmond Hill, Lib.): Thank you, Mr. Chair.

Mr. Robson, I had the opportunity to read the report, and you summarized it well. In my mind when I was reading the report and listening to you, I had two take-aways. One was that the discount rate needs to be looked at and the method that we evaluate our assets and recognize our liabilities also need to be looked at.

Can you help me understand two things? One is the transition that has been taken since 2000. The other one is regarding what jurisdictions are applying different methods that are much closer to what's being suggested. How has their performance been as far as mitigating the risk associated with taxpayers being on the hook is concerned?

● (1540)

Mr. William Robson: I want to pay tribute to past Canadian governments for having tackled some of these public sector pension issues the way they did. We not only had the reforms to the Canada and Quebec pension plans affecting the broader population, but in 2000 there were major changes made to the federal government's plans.

Since then, some of the contributions going into the plan have flowed into assets. Effectively there are now two accounts in these major plans. If you look at the actuarial reports you'll see that they're segmented out. You've got the pre-2000 obligations and then the post-2000 plans. The post-2000 plans have assets as well as liabilities. That's commendable.

You can go quite a bit further than that if you look at what has happened in the major provinces with the broader public sector plans. The Ontario Teachers' Pension Plan is one of the better known ones. It was one of the first. There are many shared-cost plans in Quebec, British Columbia and Alberta, and a different approach in some of the maritime provinces.

One of the key things in those plans is typically they've adopted quite conservative discount rates by the standards of public sector pensions, and certainly compared to what I was describing in the United States. Part of the motivation for that is just to be conservative. If you think of your pension obligation as to pay the pensions—if that's your primary aim—then it makes you think differently about the types of assets you'll hold. You'll typically focus more on bonds. You're not just trying to chase returns, because you've actually got to have the cash on hand.

In support of that, in some of these broader public sector plans you'll see more conservative discount rates. They focus much more on the funding ratio because, as I say, they're thinking much more in terms of wanting to pay those benefits when they come due.

In the federal government's case there has been a sense of...I won't say it's because we control the central bank, because that's a bit contentious. It's more of an assumption that the tax revenue will just always be there, and that there'll always be the resources there to pay the pensions. Perhaps it seemed less of a challenge to actually think about paying the pension promised from the plan itself.

As a result, at the federal level you still see these discount rates that are just based on history, on an assumption about return on assets. To me that makes no sense. If part of your plan is unfunded—and certainly part of the plan is totally unfunded and part of the rest of the plan is underfunded—there are no assets to earn those returns. You really ought to be thinking about the nature of the obligation. That's the right way to think about it.

You asked about different methods. I would just underline how innovative and successful Canada has been to date with these broader public sector plans. They're actually world-famous. The federal government could usefully imitate some of what we see at the provincial level.

Mr. Majid Jowhari: You brought up the point that the MPs' pension is completely unfunded. I recall that when I became an MP, one of the choices I had to make was the amount of my contribution, and I could max up to 50% of the contribution. Can you shed some light on that? Right now, where is the money that we're paying going? What's happening to it?

Mr. William Robson: MPs could certainly be forgiven—if it's my business to forgive anyone—for not knowing that these plans are unfunded, because they have the trappings of a funded plan. As you pointed out, you're paying contributions, and if you look at the financial statements for the plans, there appears to be an asset against the actuarial liability that's based on how long MPs are likely to live, how much income will be replaced and so on.

The awkward fact is that the MPs' plan is still like the pre-2000 plans for the public service, for the RCMP and for the Canadian Forces. Those contributions are not buying assets. They are simply going essentially into the government's current cash flow. The payment for the pensions is coming out of the government's current cash flow.

That's unfortunate. People like to talk these days, for good reason, about tone at the top. It's awkward that the federal members of Parliament do not participate in a pension plan that is appropriately funded. It also provides a key lesson in the problem you have when the financial statements do not report in a way that ordinary people —non-experts and non-actuaries—can understand when they are wondering whether their pension is properly backed or not, or if a taxpayer is looking at the federal government's finances and asking, “Am I on the hook for something here that I didn't know about?”

I'll elaborate briefly in case you want to follow this up. The chief actuary does reports on the federal MPs' pension plan. You'll see a line in it that says there is no separate fund held in these plans. The accounts are simply bookkeeping entries, and I regret to tell you there's no money in them.

● (1545)

The Chair: Thank you very much.

With those positive words, we'll turn it over to Mr. McCauley for seven minutes, please.

Mr. Kelly McCauley (Edmonton West, CPC): There's going to be a scramble to see who can retire first and grab their pension.

Mr. Robson, thanks for joining us. It's a pleasure to have you with us.

I read with dismay your report, “Taxpayers on Hook for Ottawa's Pension Shortfall”. Has the $96 billion of hidden unfunded liability that you talk about been backed up by any other organizations? Is it solely through the C.D. Howe Institute that you've come up with the number or is it generally a well-known secret?

Mr. William Robson: I wouldn't say it's very well known. Pension accounting—and I'm delighted to be talking to your committee about this—isn't a topic that has been a big grabber in the past because valuing these payments that will occur a long time in the future is a genuine difficulty. It's why there's debate about it.

The place that I would refer you to for a similar type of analysis would be in the United States. There are some think tanks there, some academics, who have been paying attention to this problem at the subnational level, particularly in the United States. I mentioned them already, so I won't go on at length, but I will say that the problems there are worse than what you find in Canada because the discount rates are so high and many of the plans are extremely brittle. That's why you see these problems.

The debate that we're part of here is about valuing the liabilities. The people who have looked at the U.S. plans and said there's a problem and they're understating their liabilities, make the same case that we do. If you think about the value of this promise, including the one that we are making to our members of Parliament as they work, it's unconditional. There's no flexibility in that benefit should the funded status of the plan turn out to be less than was anticipated. In that respect they're unlike, say, the Ontario Teachers' Pension Plan or some of the shared-risk plans.

We also have this tendency to discount at assumed rates of interest. They're not as high in Canada as they are in some of these U.S. plans, but there's a real question as to why you would just pick a number like that when you have an obligation that is so clearly comparable to the promise that you're making in the federal government's other bonds.

Mr. Kelly McCauley: That's my next question. How did we arrive at this arbitrary incorrect number instead of using the RRB? Is it just a past practice that's continued along?

Mr. William Robson: Yes, it is past practice. It used to prevail not just in the public sector but in the private sector as well.

Any of you who have in your legislative lives or elsewhere dealt with any of the pension-related issues will know that as a result of some very high-profile bankruptcies, both in Canada and elsewhere, the pension regulators began to take a dim view of this use of high discount rates. I referenced earlier the convenience of high discount rates on both sides of the table, if you like, management and labour. In the short run it's attractive. It makes the plan look well funded. Management, if you're in the private sector, can pay higher dividends or higher current compensation. The workers can take higher current compensation. If you're a government, it makes the bottom line look better. But that's an artifact of choosing a high discount rate.

If the discount rate were lowered more to what I think is appropriate, from the point of view of both the value of the promise to the employee and also what the taxpayer faces—what we would have to do as individuals in order to have that same kind of income —it does show that the value of these promises is greater than what we've been saying.

● (1550)

Mr. Kelly McCauley: Have the provinces all moved away from an arbitrary number into a more realistic number? Is it just the feds that are continuing along down the wrong path, so to speak?

Mr. William Robson: Well, the federal government does stand out for the size of the discount rate that it's using, and also because it's using that discount rate to value promises that are unconditional. An unconditional promise is quite different from the promise that you would see in a shared-risk pension plan, such as you would see in the broader public sector in many of the provinces, where the participants in the plan know that, if circumstances don't work out well, they might have a reduction in their benefits. For example, they might lose part of their indexation or in some cases they might see the base benefit whittled down. That creates quite a different kind of a promise for those pension plan participants because there's some risk involved; it's not an unconditional promise. Under those circumstances you could justify having a slightly higher discount rate than what you would get if you used a government bond, but the essence of the problem is to think: how valuable is this promise?

I will say—and I apologize that I'm branching off from your question—if you think of the situation that a Canadian who does not work for the federal government would face in trying to provide for herself or himself a similar kind of pension to what the federal employee gets, the right kind of asset for them to hold would be the real return bond because it's an unconditional promise and it's indexed to inflation. So the amount they would need to save is vastly higher than what they can save because they would need to match the contribution rates that you'd have to pay to fund the plan properly in that kind of an environment.

There are important ramifications from this for retirement saving more generally.

Mr. Kelly McCauley: You mentioned that the Public Sector Accounting Board is looking into this. I read somewhere they are looking at trying to change to an RRB or something similar. Have you chatted with them? Do you get any sense that this is how we're going to go forward to address the issue or is it just a pie-in-the-sky hope right now?

Mr. William Robson: I'm a member of the advisory group on compensation to them, so I've seen the consultation papers. I wouldn't prejudge the results of that consultation. There is a debate. I've presented one side of it and there are other people who take a different view. The fact that these consultation papers are out there at all, and the fact that the Public Sector Accounting Board is looking at these issues, signals there is, at least among some constituents, discomfort with the way this is being done.

It's been a long time since the accounting standards they're reviewing have been looked at. We've had some very cautionary tales out of the private sector. A recent example in Canada is Sears, where there was an understated pension obligation. There are other examples in the public sector, abroad more than in Canada. There is ample reason to think that these standards haven't been serving us as well as they might and that we should be looking both at the timing of recognition, which has to do with how quickly you recognize changes in the status of the plan, and the discount rate itself.

The Chair: Thank you very much.

Madam Benson, welcome to our committee.

You have seven minutes.

Ms. Sheri Benson (Saskatoon West, NDP): Thank you very much, Mr. Chair. I'll do my best to stay on top of what seems like a complex journey here.

I am going to ask some basic questions, the answers to which I think Canadians and workers would be interested to hear.

When you talk about the nature of a defined pension plan, the first thing is the unconditional obligation or contract with the employer and employee. As I think we can all appreciate, for those who are in those plans, those kinds of pensions are valued very highly. I'm not going to get into the argument about whether they're good or bad.

In what you've brought forward, and in the fact that we're not using a rate that gives us a realistic projection into the future and we're therefore not basing it on what contributions need to be made for people right now, is there a way to have a defined pension plan that is more realistic in its rate of return or are you saying that defined pension plans are something we're not going to have in the future? Are they something that only happen in government because governments don't go bankrupt?

I'm just trying to figure out where that fits into your thoughts.

● (1555)

Mr. William Robson: The key question we should be asking about pension plans of this kind is whether we want to make that absolutely unconditional guarantee that we'll pay. Of course, there are always circumstances—the end of the world, for example—that would prevent a pension plan from delivering. However, excluding extreme possibilities, I think the right way to think about it is to ask what asset you would hold, such that if you suddenly needed to pay the obligations, you could do it and be able to put your hand on your heart and say to your plan participants, “We have you covered on this.”

In the broader public sector plans where there's a little bit of benefit flexibility, I think the joint governance probably helps to have this kind of conversation. Many of them, including some of the more recent ones on the block, like OPTrust in Ontario, for the public service there, the members of OPSEU, have explicitly said to their members that their job is to pay their pension benefit. The idea is partly to get people's attention off the rates of return on the assets because that's a bit of a sideshow. Everybody's pension plan is different. Employees may be older, younger or have different characteristics. You want to make sure that your assets are suitable to pay those obligations.

The sticking point with the pure defined benefit plan, the one where there's absolutely no flexibility, is that the type of asset you should hold to meet that promise is a very low-risk one, like the federal government's real return bond. Low-risk assets yield low returns. To buy enough of those assets to guarantee the pensions, you have to buy a lot of them. That makes the contribution rate high, and that has been the point at which people have bought. They've said that looks so expensive. They don't think about it as saving.

I'd say it's saving. If you want a guaranteed pension, save a lot. You would do the same in your private life. It looks like a cost, and people balk at the cost, and that's where you see this high discount rate creeping in to make it look affordable, but then what you're holding in the plan isn't actually going to be sufficient to meet it.

I don't have a problem with generous pension plans. I think you want to consider a balance between deferred and current compensation, but I would like to see Canadians in general able to save more. To do that, they need to contribute more. Sometimes, in order to contribute more, they have to be shown the cost of the pension and how much they should be paying. It's a bit shocking to see how much, but if returns are low, that's realistic. If you want that kind of pension, one with a real guarantee— close to certainty—of getting it, that's what you have to do. You have to contribute more.

Ms. Sheri Benson: You're saying there's been a bit of a cultural change. People need to have these conversations about the level of contribution in order to have that kind of pension. We're shying away from those conversations because for a lot of pensions, it would mean quite an increase in the contribution, both on the employer's side and on the employee's side, if we were more realistic on the future rate of return.

Mr. William Robson: Yes.

Ms. Sheri Benson: You talked in your article about steps toward looking at this unfunded liability or being more realistic in our future projections of what the assets in the pension plan will earn.

Do you want to talk about that? What's the process? What are the steps to get to a better place? Is the first conversation about using the best guess of a discounted rate for the future? Is that a conversation we are having all over the place? Is it something that you're a part of? Is that the first step?

The Chair: Mr. Robson, you only have about a minute for your response.

Mr. William Robson: It starts with the numbers, because the numbers are very powerful in presenting us with a situation, and helping us think about what to do with it.

The focus within the federal government is on estimates that reconcile the budget. It sounds like a green eyeshade exercise, but it's very important, because it helps people figure out how this fits into the broader fiscal plan. I would start with that. The accounting matters a great deal. It would matter if we saw the ongoing cost of these plans.

With respect to the earlier conversation, if you look at the broader public sector plans, their joint contribution rates, employer plus employee, are now 23%, sometimes 24%, and that's with a lower level of benefit. We've seen pension plans making that adaptation. A realistic presentation of the numbers was a key step for them.

● (1600)

The Chair: Thank you very much.

Now we'll get some questions from one of our millennials, who may have about 35 or 40 years before he starts collecting pensions.

Mr. Drouin.

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Mr. Robson, I'm not going to get to see the MP pension plan, and may never get to see it if 2019 doesn't work out for me, so there you go.

I don't want to talk about the RRB, but I do want to talk about the way you came to your numbers. If I heard you correctly, the Ontario Teachers' Pension Plan is a good model. Is that correct?

Mr. William Robson: Yes, I think it is.

Mr. Francis Drouin: Have you done an analysis of the Ontario Teachers' Pension Plan?

Mr. William Robson: We haven't done the same kind of analysis, because the nature of the promise in a shared-risk plan is different.

As you may know, with the Ontario Teachers' Pension Plan, there is conditional indexation. Also, one of the virtues of these jointly governed plans—and I don't say this of Ontario teachers particularly; there are many other examples—is the fact that you've got the two sides at the table which facilitates conversations if things beyond what the plan design contemplated originally were to arise. Simply being there at the table promotes a good conversation about how to manage the plan, so that it appears reasonable in terms of its current cost, and also provides a good replacement income for the participants.

The type of analysis that we've done with the federal government's pension plan is the sort of analysis that you do when you have this unconditional promise to pay. If you look at other types of federal debt.... If you look at some of the litigation in the United States where there have been battles over who gets priority, the bond holder or the pensioner....

As a first approximation, it makes sense to say these are promises like every other senior debt obligation of the government. We should think of them in that capacity. There's as much risk attached to a federal government pension, or the possibility that you'll see it if you qualify, as there would be if you were a holder of the federal government's bonds. It makes sense to put them in the same mental category.

Mr. Francis Drouin: At C.D. Howe, you seem to be saying that we should probably change the structure of our pension plan going from a defined benefit to a defined contribution, or a mix of that. Are you aware if that is reflected in the Ontario Teachers' Pension Plan? I know it's a joint governance model, but is that a defined benefit or defined contribution?

Mr. William Robson: Shared-risk plans, target benefit plans—there is different terminology, but they all reflect the idea that there's flexibility not just in the contribution rate but also in the benefit formula. It's proved to be quite a popular design in the broader public sector in Canada. In fact, it's quite well known around the world, partly because of the investments they make but also because it's a very intelligent plan design.

One of the difficulties with the pure defined-benefit model, whether it's in government or anywhere, is that it tempts the participants to mentally check the box of “I'm covered” or “It's good”. They're not quite as attentive as they might be. Perhaps their representatives aren't quite as attentive as they might be to the question of how the assets and the liabilities look when you put them side by side.

What you tend to find in these jointly governed plans is much more focus on the funded status of the plan. Are we 100% funded? The Hospitals of Ontario Pension Plan is a bit better than 100% funded, and they're very proud of that. They advertise it. When they talk to their participants, when they talk to the labour management, they're successfully focusing the conversation on the promise to pay the pension benefit.

I do think that's an attractive model. I would recommend that the federal government look at it. It would cause the contribution rates to go up because we would be thinking more seriously about the assets that match the liabilities, but I think that would be a good thing all around. In fact, I talked about tone at the top. I think it would be very good for the federal government, MPs and public servants alike, who make so many of the rules that affect the rest of the population, to play by some of the same rules that the rest of the population plays by.

Mr. Francis Drouin: I think we just got to fifty-fifty not too long ago. You talk to the old guard around here, and they're not super happy about it, but that's another reality.

● (1605)

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): Everyone that railed against the pension retired.

Mr. Francis Drouin: What about the impact on the pensioner? When you move towards either a joint governance model or a targeted benefit model, have you done the analysis of whether the contribution rates rise year over year or whether they stay stable? Do they vary? Does that happen?

Mr. William Robson: It depends on the formula you choose. Typically when you have a jointly governed plan there's attention to avoiding big swings in the contribution rates. Nobody likes that.

If I understood your question correctly, you were concerned about the people whose pensions are already being paid or people who are about to receive it. Typically when you do a transition like this in a controlled way, you're grandparenting the people who have already gone through the system.

You would certainly encounter a lot of opposition, I think quite reasonably, if there were anything in prospect that would cause the value of benefits and pay, or benefits that have largely been earned or entirely earned, to go down. The trick is to make the transition, as happened in 2000, in a way that leaves people intact. You phase it in. It's not quite fair when you think about the status of the newly arriving public servant versus the public servant who's about to retire.

Mr. Francis Drouin: My generation.

Mr. William Robson: Yes, the young teacher or the young public servant, generally, is in a tougher situation.

As I mentioned already, as an MP you would not know typically that your plan is unfunded. I could argue that you should know. You should peel back the layers and have a look at it, but it's the nature of this type of promise that it makes people think there's no risk. “Somebody else is handling the risk, not me”.

As you transition out of it, you have to respect that. There has to be a transition and typically the people who are about to receive or who are already receiving are whole.

The Chair: We will now go to our five-minute round of questions.

[*Translation*]

Mr. Deltell, you have five minutes.

[*English*]

Mr. Gérard Deltell (Louis-Saint-Laurent, CPC): Thank you so much, Chair.

[*Translation*]

I am very pleased to have the President and Chief Executive Officer of the C.D. Howe Institute, William Robson, here with us. I admire his work.

It is an honour and a pleasure to meet you, Mr. Robson.

[*English*]

I want to address something about the millennial people. You say that it's crazy what's happening.

I was young too, and when I was young,

[*Translation*]

interest rates were at 23% and youth unemployment was at 25%.

[*English*]

which is not exactly the case now, so each and every generation has to address some challenges.

[*Translation*]

Mr. Robson, I would like to pick up on two points you raised earlier, beginning with the MPs' pension fund.

I have been an MP for three years, but I have to admit that this matter was not of much interest to me as a new MP. Let's just say it wasn't the first thing that grabbed my attention when I first came here. It's news to me that our pension fund's liabilities are unfunded.

What do you recommend we do about this?

[*English*]

Mr. William Robson: Excuse me for not replying in French. I would try your patience.

Taking that question first, I think the model of the 2000 reforms for the public service, the RCMP and the Canadian Forces is not a bad way of thinking about doing the transition.

In response to the earlier question, I talked about grandparenting people who've already been through the system. Realistically, that's what you do. However, starting afresh now, we ought to be thinking about the cost of this promise and we ought to be charging a contribution rate that is appropriate to fund that promise and actually funding it, buying assets that are external to the federal government that would be there against the day the payment needs to come due.

There's a line that I have attributed to Barbara Zvan of the Ontario Teachers' Pension Plan: "A plan will cost what it costs; the discount rate is about who pays."

If you choose a high discount rate because you remember the days when interest rates were high and you think it's going to go back to that, but that doesn't occur and the interest rate stays low, the older people will not pay as much as they should and the younger people will carry the burden. If you pick a low interest rate, it's likely to be spread more fairly if we don't get back to those high interest rates.

It would be appropriate for the MPs' plan to start funding itself as was done with the rest of the major public service plans. I don't know the French term for it, but I talked already about "tone at the top". It would be a very constructive step for MPs to do that, because then when they talk to their constituents who are trying to save for retirement and are finding it hard to save enough, given the low yields on investments, they would not just say, "I feel your pain", they would actually feel their pain. It would be a valuable point of solidarity.

● (1610)

Mr. Gérard Deltell: I'll keep that in mind.

I would like to address another issue, raised by Madam Benson a few minutes ago, and what you said, the fact that Canadians should save more.

What advice would you give to us in terms of having a new project or helping people save more money?

Mr. William Robson: I mentioned already that in the broader public sector plans you'll typically find that the contribution rates are over 20%. Most Canadians who save in RRSPs or in defined contribution pension plans can only save 18%. Those limits are quite low. There is concern about the income distribution effects of raising those rates, but if you look at the public sector plans, they are saving more and I don't see why we wouldn't allow Canadians in general to do that.

There is an idea that is worth considering, that we would think in terms of a lifetime limit, so that a person who might have been low income but then succeeds later in life, or an immigrant who hasn't built up the savings room in an RRSP, for example, would be able to set something aside at a greater rate than what we now allow.

The other area I would recommend looking at is after people retire and start drawing down their savings. We have RRIF rules that oblige people to draw their savings down quite quickly. People in defined benefit plans don't worry about that because their annuity is supposed to cover them until they die, but for a person who's in a defined contribution plan or drawing out of an RRSP, those mandatory withdrawals mean that they're quite likely to run out of savings before you die, especially if the person is a woman, because women live longer.

I would look at both the amount people can save before they start drawing down and the rules that govern their drawing down once they are in retirement. If you're in a defined benefit plan, the federal government's defined benefit plan, these aren't concerns for you, but if you're a Canadian who's saving in an RRSP or a defined contribution pension plan, those are big issues.

The Chair: Thank you very much.

Madam Ratansi, you have five minutes, please.

Ms. Yasmin Ratansi (Don Valley East, Lib.): Thank you.

I was fascinated and just a little concerned, because you started comparing us to Detroit. The Canadian government is definitely not going bankrupt.

My question is about the methodology that anybody uses. You must have used a special valuation methodology, and there are so many permutations and combinations that you do. In those permutations and combinations, how does your actuarial method probably differ from, or is it the same as, what the chief actuary would have utilized to come to the conclusions you did?

Mr. William Robson: I never liked being on a different side of an issue from the chief actuary, who I think does a very good job and whose reports I rely on for a lot of my work. I wish to show appropriate respect to the chief actuary and to the office of the chief actuary.

The disagreement between us is about the appropriate discount rate to use. In the public sector it is typical to use these discount rates that are relatively high, and the reference tends to be to historical returns on assets. I do not think that is an appropriate way to think about the future. Anyone who buys an investment has a warning and it's obligatory. The regulators oblige this warning that past performance is no guarantee of future results. The same is true in saving generally for retirement. We have seen returns that were much higher in the past, that is true. We've seen by now a long period of low returns. It's a mug's game to guess what kinds of returns there will be in the future. People who have a strong view on that can buy a bond, and it may go up or it may go down if they were right or wrong. It's their money. It's their choice to make.

In the case of a pension plan like this, there's a very clear alternative point of reference. I've said it already so I won't belabour the point. This is an unconditional guarantee of the federal government. It is like other federal government debt. When we do our evaluations we look at the chief actuary's work. We are not arguing with his assumptions about employment, inflation, the rate of increase of federal employees' salaries, none of that. All of the disagreement is about the discount rate. We use the sensitivity analysis that the chief actuary provides to try to make the adjustments. I think our adjustments are a bit conservative as we go all the way down to the real return bond rate. It's possible that if we had more access to the full range of data the chief actuary works with, our numbers would be worse, but we're conservative. The difference is in the discount rate, and when we try to adjust it to a lower discount rate, that's the number we get, the $96 billion.

● (1615)

Ms. Yasmin Ratansi: On the discount rates that you're talking about, in 2017 the 33rd report of the public accounts committee presented this recommendation, and there's been some progress made in updating the methodology. Have you looked at it by chance, the changes to the methodology of the discount rate?

Mr. William Robson: I mentioned already that the Public Sector Accounting Board has a consultation paper out on this question. It is reflecting the discussions that are very current including those in the public accounts committee about what is the right way to think of these things.

Broadly speaking, there are two camps. There is the camp which says that it's legitimate to use some kind of assumed rate of accumulation on assets, and if your plan were fully funded I would certainly listen respectfully to that argument. When your plan is unfunded, though, there's no asset to earn the return, or for most of it. In a situation like that it's appropriate to leave the assets aside. They're not relevant. What you're focusing on is the value of the obligation, the value of the liability. That's where I think the compelling logic is to use the federal government's real return bond rate, reflecting the fact that this is an obligation. You said that the federal government isn't likely to go bankrupt. The bond deals reflect that. The pension discount rate should also reflect that.

Ms. Yasmin Ratansi: Fair enough.

Have you talked to the Public Sector Pension Investment Board? It's their job to ensure that our pensions are actually stable and funded. It's their job to ensure that the risk is reduced? Have you spoken to them? I was looking at the chief actuary's report on the MPs' pension plan, and I saw it as being properly funded, so I guess there is a difference in opinion. Would you answer that question on that Public Sector Pension Investment Board?

Before 2000 the Canada pension plan was totally underfunded and it took the genius of Paul Martin to fund it for 75 years. Should we be using that methodology?

The Chair: Those are two good questions, but unfortunately there's no time for the answers, unless Mr. McCauley wants to pursue those questions as well.

Mr. Kelly McCauley: One of them can.

Mr. Robson, you mentioned in your report, “even the higher employee contributions anticipated by the reforms would leave the taxpayers’ true share far above 50%.” Do you have a ballpark figure of what far above 50% would be? If it is the $96 billion unfunded right now, what is it going to be?

Mr. William Robson: First, I will just respond to one element of the previous question.

It is not a matter of opinion whether the MP pension plan is funded or not. It is a matter of fact that it is not funded. It's too bad that the reports give the impression that it is. The entire obligation in those plans is part of the public debt. There is no asset held against them as there is with the Public Sector Pension Investment Board, which does hold assets and those are real assets.

On the question of how high the cost would go: We do have estimates in our report of what the current service cost would be if you used these lower discount rates. The $96-billion figure is the stock. It's the amount that appears on the balance sheet. If you look at the annual accruing obligation, there are two elements to it. There's the ongoing cost of the work that the public servants are doing in return for which they deserve their compensation, and there's also the changes in the value of the plan. It tends to be quite erratic.

The very short answer to your question—I won't give you the precise number; we can follow up on that—is that it would go higher, though. The plan is notionally funded fifty-fifty right now, but that's on the basis of a current service cost that is too low because of this too high discount rate. If you were to use a realistic discount rate, the ongoing accrual of benefits would show as a higher amount, which is more valuable to the participants and more costly to the taxpayer. The appropriate amount for the people to be contributing would be higher than what the current fifty-fifty formula shows.

Mr. Kelly McCauley: We heard a lot today about the problems with this arbitrary discount. How much of this issue is also caused by the smoothing of the assets, year by year by year?

Mr. William Robson: I think we can conceptually separate those two topics, even though in practice you tend to see the two together. Where you see high discount rates you also tend to see a lot of smoothing going on because people don't like—

● (1620)

Mr. Kelly McCauley: The high discount rates?

Mr. William Robson: Yes. I hesitate to attribute too much motive, but you see these things very often in situations where it's very convenient for the cost to appear low. Under those circumstances, you don't want to be moving the rate around a lot because it raises questions in people's minds. It causes the plan to look volatile, so typically you'll find a lot of smoothing and high discount rates going together. The argument for using no smoothing —the argument for showing the value of the assets at what it is at a moment in time, and the value of the liabilities at what it is at a point in time at the discount rates I'm arguing for—is that it exposes something important about these plans. They are risky. There's a lot of volatility in these plans. I think that's a virtue on its own.

The two things can be considered separately. The Public Sector Accounting Board is consulting separately on timing of recognition —should there be smoothing versus immediate recognition, and on discount rates? When you look at the things that make pension accounting opaque, and make it difficult for us to get our minds around what's going with the federal pension plans, I think the two of them are equally problematic. It's hard for a non-expert to look at those financial statements and understand what's going on.

The Chair: Thank you very much.

Our final five-minute intervention will come from Mr. Peterson.

Mr. Kyle Peterson: Thank you, Mr. Chair.

Thank you, Mr. Robson, for being here, for your report, and the intensive work you did on this important issue.

I think you used the term “mug's game” a couple of times in this presentation. I think it really is difficult to find a value of pensions. It's an art as much as it is a science. I think you'll agree with that. Part of it is just knowing what variables we're dealing with when you try and put.... Are we trying to even put a present value on this? How does the accounting even work? What's the goal when you're trying to put this on a balance sheet? Are you looking at the present value of a pension? What's the process there?

Mr. William Robson: Yes, it is about calculating a present value. In the extreme, you might have a situation—and if the C.D. Howe Institute offered a defined benefit pension plan, I think this would be the appropriate treatment. We're a charity. We depend on annual donations. We could go out of business next year. It would not make sense for us to make any kind of a promise extending over many years unless we have the assets that could cover that promise right at a point in time so that if we did go under, the people who had that promise would actually receive it.

The present value calculation is all about the value of the assets and the value of the obligation discounted at a reasonable discount rate and if they're equal, you're good. If the assets are better than the liability, that's even better. If the assets are below the liabilities, that's a problem because you're not backing your promise properly.

Mr. Kyle Peterson: The actuaries look at the gender, age, health and all that stuff that they look at when they try to determine. It might be in your report, but do you know the ratio between retirees and active employees right now under the federal pensions?

Mr. William Robson: I don't have that number in my head so I won't speculate about it. It's relevant to a question that was asked earlier about the Public Sector Pension Plan Investment Board. At the moment because the plan is largely unfunded it's appropriate for them to be trying to earn high returns, because most of the obligation of the older public servants, and the ones whose pensions are already in pay, is going to get covered by current revenue. It's a bit like the Canada and the Quebec pension plans in that sense. The assets are important, but most of the benefits are being paid by the money coming in.

Over time if the plan becomes better funded and becomes more mature, then the assets it would be appropriate to hold would start to change as well. You wouldn't be chasing returns, you wouldn't be taking a lot of risks with equities in your portfolio, you'd start to hold more bonds, you'd start to hold more infrastructure, you'd start to hold things that were better matched towards the liabilities. I apologize I'm not addressing your question directly, but the subject came up earlier.

Mr. Kyle Peterson: I appreciate where you're coming from. Some of the most successful public sector pension funds I think have huge holdings in real estate, for example, which I think by most standards would be considered risky as opposed to a bond or something, and generally speaking, they're probably less risky than other things in that the return seems to always be growing. In that sense these might be why things like teachers' pensions are so successful and well-funded because of the investment decisions they're making.

Is there that capacity at the federal pension level for the investment decisions to be made with a goal of funding the pension, but also not making it too risky?

Mr. William Robson: I think the capacity is certainly there. The investment opportunities in the world right as we speak are perhaps less attractive in general. Everything seems expensive. That's the nature of the game. With regard to teachers and others, they'll speak for themselves, but my take on how they are handling their plans is that over time.... Teachers are a good example. By now they have a very mature plan. The number of new contributors coming in and the size of the contributions relative to the obligation and the amount of retirees has become quite small. Many of these plans now are negative on a cashflow in versus benefits basis, and under those circumstances, their portfolio does become more conservative. I mentioned OPTrust and HOOPP earlier. These are plans that are very explicit in saying to their members that they're not chasing the returns trying to beat the index or trying to beat the other guy. The thing they're trying to beat is the increase in the size of the liability, the obligations they have to pay, because the primary task is to pay that obligation.

● (1625)

Mr. Kyle Peterson: Thank you.

The Chair: Colleagues, that will be it for this panel.

Mr. Robson, on behalf of the committee I want to thank you very much. Your testimony has been incredibly informative, albeit somewhat unsettling, but we do thank you for being with us. Should any of our members have any further questions, sir, I would appreciate it if you would entertain their questions, and the responses can come back directly to our clerk.

Thank you once again. We look forward to speaking with you again soon.

Mr. William Robson: Thank you for the opportunity.

The Chair: Colleagues, we will suspend for two or three minutes while we get our next panel to the table.

●

(Pause)

●

The Chair: We will reconvene the meeting.

I would like to welcome representatives from the PBO, Mr. Giroux and Mr. Jacques.

I understand, Mr. Giroux, that you have a very short opening statement. We will entertain that and then go directly into questions from our committee members.

Mr. Giroux, the floor is yours.

Mr. Yves Giroux (Parliamentary Budget Officer, Office of the Parliamentary Budget Officer): Mr. Chair, I feel like I'm in the House of Commons.

Thank you for the invitation to appear before you today. I'm pleased to be here for the first time before a House committee since being appointed Parliamentary Budget Officer, thank you, upon resolution of the Senate and the House of Commons. I started assuming my function duties on September 4, 2018.

● (1630)

[*Translation*]

I am here today with Jason Jacques, senior director of costing and budgetary analysis.

As you know, when the Parliament of Canada Act was amended last year, the Parliamentary Budget Officer was recognized as an officer of Parliament. The September 2017 order in council brought that change into effect and confirmed the expanded mandate, which now includes the costing of parties' election platforms. In addition, the PBO is now responsible for providing analysis services to senators, MPs, and parliamentary committees.

[*English*]

In accordance with the PBO's legislative mandate to provide impartial, independent analysis to help parliamentarians fulfill their constitutional role, which consists of holding government accountable, my office will continue to prepare reports and analysis of the estimates of the government and the budget, in addition to other pertinent federal government documents relating to the nation's finances or economy. Following the tabling in Parliament later this fall, my office will publish a report on the 2018-19 supplementary estimates (A).

That will conclude my remarks, as I understand you may have questions for me and Mr. Jacques.

Thank you, Mr. Chair. We'd be happy to answer questions.

The Chair: Thank you for your economy of words.

We'll go directly into questions.

Madam Mendès, you have seven minutes, please.

[*Translation*]

Mrs. Alexandra Mendès (Brossard—Saint-Lambert, Lib.): Thank you very much, Mr. Chair.

I thank you both for being here.

Welcome to Parliament Hill, Mr. Giroux.

I understand that you are here to talk to us about the mandate of the Office of the Parliamentary Budget Officer and the expansion of that mandate. However, in light of what we just heard from Mr. Robson about the state of federal government pension funds, I am curious to hear your take on the MPs' pension fund at least. Of course we'll give you time to look into what's going on across the federal public service. However, if you could give us a little information about the MPs' pension fund, I would really appreciate that. I believe you heard some of the remarks?

Mr. Yves Giroux: I'm happy to comment on that, Madam.

I heard part of Mr. Robson's presentation about the health of the MPs' pension fund, and it seemed rather alarmist to me. I do not share his point of view.

Mrs. Alexandra Mendès: Thank you. That's what I wanted to hear.

Mr. Yves Giroux: In my opinion, the actuarial obligations are accounted for in Canada's public debt and provisions have been made and recognized as part of the government's future obligations to MPs and senators. It is already part of the liability. It is true that no funds have been set aside to grow in an account, but that is known and is already part of the Government of Canada's debt.

Mrs. Alexandra Mendès: I think that is what Ms. Ratansi was trying to say to Mr. Robson earlier. The Government of Canada's obligation in that regard is already accounted for in the actuarial statements.

Mr. Yves Giroux: Yes. When they say the government's debt is $650 billion or that its debt-to-GDP ratio is 30%, that includes the government's liability to its pensioners, including current and former MPs and senators.

Mrs. Alexandra Mendès: That's reassuring. Thank you so much. Now I'll move on to questions about your expanded mandate.

One of the new responsibilities is to cost political parties' platforms. You'll be doing that right before next year's election. Can you explain how your office is preparing to fulfill this new responsibility? What deadlines are you working with? What kind of resources will you need?

● (1635)

Mr. Yves Giroux: I'll try to keep this as brief as possible considering how much we're doing to prepare.

First of all, my predecessor asked the Speakers of the Senate and the House of Commons to increase the OPBO's budget by an amount believed sufficient at the time to handle the expanded mandate. That request was granted, so we will be getting substantially more analysts. We'll have about 42 employees, which includes administrative assistants, other support staff, analysts, and management, including me. We do have more resources now.

With respect to preparations themselves, we are developing a number of tools that will enable us to respond to requests more quickly and efficiently. For example, we are working on a model that will enable us to estimate, as well as we're able, how much the Canadian Armed Forces will grow. We are already laying the groundwork for requests we anticipate receiving. We have also developed models to estimate the costs associated with certain relatively simple fiscal measures.

We are developing the tools we'll need to address issues we expect to see in campaign platforms.

Mrs. Alexandra Mendès: You're already on it.

I have a question that seems especially timely to me considering the recent election in Quebec.

Before the campaign began, Quebec's Auditor General released a report on the state of Quebec's finances. That came out just as the campaign kicked off. I thought that was a novel idea. It meant totally non-partisan information was available at the beginning of the campaign, and that enabled parties to campaign on their own platforms.

Do you think the federal government might consider having the Auditor General release that kind of report?

Mr. Yves Giroux: At the federal level, I don't think the Auditor General is in the best position to do that. It's more a job for my office. In fact, I do plan to do something similar.

Traditionally, my office—or my predecessor—released reports in April and October detailing the economic and fiscal outlook. One is due out later this month and another in April 2019. We plan to update it right before the election campaign as set out in the Parliament of Canada Act, which governs my office.

We're going to issue an update to the April economic and fiscal outlook in late May or early June. My mandate shifts slightly before the election campaign, and at that point, there will be an economic and fiscal outlook update that the political parties can use to draw up their financial framework.

Mrs. Alexandra Mendès: Thank you.

[*English*]

The Chair: Thank you very much.

Mr. McCauley you have seven minutes, please.

Mr. Kelly McCauley: Mr. Jacques, welcome back.

Mr. Giroux, congratulations. Welcome to our committee. It's a pleasure to have you here.

You sat in on a bit of Mr. Robson's presentation with us. In his report he talks about a $96-billion unfunded liability because of the way the discount rate is being used. Do you share his view on the discount rate and on the unfunded liability?

Mr. Yves Giroux: I don't.

Mr. Kelly McCauley: The follow-up is the public sector. The PSAB is talking about perhaps reviewing that. I'm wondering if you have a comment about the discount rate needing to be changed.

Mr. Yves Giroux: It's something that has to be looked at very regularly for the unfunded liability or the liability to be as closely matched as possible to reality. However, I would be curious to see Mr. Robson's opinion if interest rates were, as Mr. Deltell mentioned, 23%. Maybe he'd have a different opinion of the appropriate discount rate. Maybe he'd be more in favour of something that's closer to 5% or 6%.

Mr. Kelly McCauley: If the interest rate swung back and forth severely like that, would it not be reflected using the RRB then? That would bounce up and down with interest rates as opposed to sticking with an arbitrary number drawn out of the past. Does it change?

• (1640)

Mr. Yves Giroux: The real return bond rates don't necessarily move up and down with the nominal interest rate. That's why it's attractive, because it tends to be much smoother and lower than nominal interest rates because it removes the inflation component, so it would not necessarily move up and down with the swinging nominal interest rates.

Mr. Kelly McCauley: Just quickly, on the Public Sector Pension Investment Board, do you have an opinion—that's barely in your mandate, I realize—on the returns of using passive versus active investment for the board?

Mr. Yves Giroux: The rate of return traditionally tends to be higher if you have an active management strategy because of risk taking. However, for a pension plan that's as big and that has such a long-term perspective, personally I believe it's appropriate to be a bit more aggressive than passive to ensure that it has as high a rate of return as possible while maintaining an acceptable level of risk. To maintain an acceptable level of risk, the best solution is to diversify. It would be unwise to buy, for example, one stock or a very limited number of stocks. But, with the size of its assets, it can manage to have a much more aggressive stance while also limiting its risk exposure by diversifying into different markets, classes of assets and so on.

Mr. Kelly McCauley: Okay. I understand that.

One of the items I noticed with it, though, and I don't want to call it an issue, was something that we brought up—part in jest, but part in reality—when the president was here I think a year and a half ago. They've underperformed the Standard and Poor 500 eight out of the last nine years despite last year paying almost half-a-billon dollars in costs, as opposed to.... I could take that money and buy an ETF for $21 million and fees. We see the same thing with the CPP in terms of increasing the army of people behind the CPPIB and added costs.

I'm looking at this and wondering if this is the right way we should be going to get the best returns for our public servants and for our taxpayers.

Mr. Yves Giroux: That's a very specific question. I'm not sure I'm the best person to answer that question at this stage in my mandate.

Mr. Kelly McCauley: Okay, fair enough.

We're studying the estimates right now, and the process. Of course, it comes back a lot to vote 40 and the change in the Standing Orders to allow an extra six weeks for alignment. With the extra time for the alignment and the changes, have you seen an improvement in the speed of the programs getting to Treasury Board and getting approved by Treasury Board?

I always quote a previous.... I don't know if it was Mr. Jacques or Mostafa who used the word “sclerotic”, but I quite.... The previous PBO criticized the current and previous regimes, saying it was the sclerotic pace of getting the programs out the door, not the actual alignment, causing the problems.

I'm wondering if there's been an improvement since the most recent change.

Mr. Yves Giroux: I'm not aware of a significant improvement. There might have been some anecdotal improvements for some specific proposals.

Mr. Jason Jacques (Senior Director, Costing and Budgetary Analysis, Office of the Parliamentary Budget Officer): I think up to this point, based on the data that the Government of Canada has published on the TBS website, we haven't seen a significant improvement just in terms of the dollars that have been approved.

What we are looking forward to, of course, is the next supplementary estimates, where we can actually do a year-over-year comparison, a comparison looking back to budget 2016: In the fall of budget 2016, how many new items were actually approved at that point, and similarly with respect to budget 2017. That's something we track on a regular basis in terms of the actual rollout of the budget.

All that said, check back, because as Mr. Giroux mentioned, we will be preparing our regular analysis of the next supplementary estimates. That's information that we will have in the document.

Mr. Kelly McCauley: The change in the Standing Orders has a two-year sunset. They have two years to do proper alignment. You've commented that based on what you've seen so far, we haven't seen any appreciable change. In fact I saw I think one report showing that we're actually slowing down the approval process.

Do you think we'll be able to get this done within a two-year period that makes it worthwhile having taken away some oversight from Parliament and from this committee to allow this experiment to happen?

Mr. Yves Giroux: I think the best way to speed up the approval process and to improve the oversight would be to have a budget that is, to be honest, much earlier in the process. It's very difficult to do anything that's meaningful and significant when you have a budget that can be tabled at virtually any time of the year.

In my opinion, which I may change when I get more experience in my mandate, having a budget at a fixed date early on in the process would probably be the best way for parliamentarians to be able to—

• (1645)

Mr. Kelly McCauley: You answered my last question, which was to see if you'd agree—

The Chair: Thank you very much.

Mr. Kelly McCauley: Previously, in 2012, they had suggested doing a fixed one.

Thank you.

The Chair: Thank you very much.

Madam Benson, you have seven minutes, please.

Ms. Sheri Benson: Thank you.

Congratulations on your appointment.

I feel very privileged to be here. I don't usually sit on this committee.

It's nice to be able to share with you something that I've been interested in, and I would welcome your general comments. I'm not asking you to make a big commitment.

I come from a riding that is quite diverse. The median income is about $39,000, so we have issues.

I'm wanting to find a way to engage people in the federal government. I'm from Saskatoon, so we're far away and people feel very disconnected.

I was very interested when Canada participated in the open budget survey for the very first time. I thought that was great. I found the information that I got from that survey very helpful, on the sort of three areas it dealt with, transparency, public participation, and the role of budget oversight—your role.

What I often find with government is that we do very well on transparency, which means we drown people with reports that aren't translated for them in a way that becomes meaningful. I've really focused on the public participation piece, which we didn't do very well, and no government did very well.

I'm wondering if that's information you've looked at, or if I could encourage you to look at that. The report is much bigger. I have just a couple of pages here.

I'm most interested in how citizens participate in the budget process, not only in having input into it, but then also being able to reflect back to the government whether they think they are meeting milestones and whatnot. One suggestion is to have a citizens budget, which is a way to translate what the government does into a more manageable piece of information that citizens can use.

Now I sound like I'm making a speech, but I'm really quite excited about this. I wonder if that's something you'd be interested in, and is that something you've thought of?

As you've come into the job, you're new, so your information and insight at the very beginning are important, because once we get into something, you start to maybe not see those things.

Could you comment on your role in relation to the public and their understanding of the budget? I know about your service to us as parliamentarians, but I would like to see a focus on citizens and their involvement in your office and the budget.

Mr. Yves Giroux: That's an interesting question.

I asked my predecessor that question about the role of the PBO. I asked him how parliamentarians felt when he, Jean-Denis, appeared in the media. Did they dislike that? He told me spontaneously that parliamentarians tend to like it, because it gives credibility to an institution. It also helps to demystify government operations, budgets and the state of the economy.

The open budget, a citizens budget, and participation of the public in the budget process is not something, to be honest, that I've given a lot of thought to, because it's still early in my mandate. I'd be interested in hearing more about it.

From my experience, the budget process is very opaque. It's not transparent at all. I know that from having worked on the other side of the budget process. It's a black box that very few people understand, so helping to demystify that and having greater input from parliamentarians and the public is something that's probably worth considering.

Whether that would be slowing down the process, making it easier for decision-makers or not, that's a different issue; however, it's certainly worth looking into that.

● (1650)

Ms. Sheri Benson: As to how Canada could improve its oversight, I'll share with you the following recommendations: to ensure that the executives' budget proposals are provided to legislators at least two months before the start of the budget year and that the budget proposals in the main estimates are better aligned; to ensure that a legislative committee examines in-year budget implementation and publishes a report presenting its recommendations; and finally, to ensure that the audit report is published six months or less after the end of the budget year, in order to allow legislators to scrutinize the prior year's outcome before voting on the new budget.

The one thing that they talked about around including Canadians, improving their participation, was to pilot ways for members of the public to provide input into the monitoring of the implementation of the national budget. That's one way the people could be involved.

I think right now what happens is that you have stakeholders from different organizations, groups and whatnot, come and make presentations. What citizens often don't have is.... You give the information but you don't know what happened to it afterwards. Why is one thing a priority and something else isn't? How does a government say one thing is happening and another is not?

I'd be willing to leave the two-pager with you as a reminder to look into it. I plan to look particularly into the citizen budget piece to see how something like that could happen here in Canada.

Thank you very much.

The Chair: Thank you.

Mr. Peterson, you have seven minutes, please.

Mr. Kyle Peterson: Thank you, Mr. Chair.

Thank you, Mr. Giroux and Mr. Jacques, for being with us today.

Last week the fiscal sustainability report came out from your office.

Could you elaborate on why the metric you used to determine whether it's sustainable is total net debt relative to the size of the Canadian economy, and why that's an appropriate benchmark?

Mr. Yves Giroux: That's a very interesting question. I was not prepared to answer questions on the FSR, but given that it's relatively—

Mr. Kyle Peterson: It's general enough.

Mr. Yves Giroux: —fresh in my mind, I'll give it a try.

Mr. Kyle Peterson: I appreciate it.

Mr. Yves Giroux: The size of the debt itself, in absolute terms, is not very meaningful. It has to be looked at in relation to the size of the economy. That's why in the fiscal sustainability report we look at the debt-to-GDP ratio. A growing debt could be very worrisome if the economy is shrinking, or it could be not that big a deal if the economy is expanding at a fabulously high rate. That's why we look at the debt-to-GDP ratio.

We define “sustainability” as a debt level or debt-to-GDP ratio that is not constantly increasing, because that clearly is unsustainable over the longer term since the debt keeps not only growing but also growing as a share of the national economy.

We've defined “sustainability” as debt in our study, in our report, that at the end of the period is roughly at the same level in relation to GDP as it was at the beginning of the period. That's how we define “debt-to-GDP” or “sustainability”. That's consistent with the practices of other international organizations or institutions that have looked at fiscal sustainability.

Mr. Kyle Peterson: Based on that metric, I think the report concluded that the economy, the Canadian fiscal situation, is sustainable in the long term.

Mr. Yves Giroux: Yes, that is true both at the aggregate government level and at the federal-only level. Both are sustainable over the 75-year period that we looked at.

Mr. Kyle Peterson: Thank you for that. I do appreciate your answering that question on the report. We'll get to a more general question now.

You're new to the role. Welcome and congratulations.

Mr. Yves Giroux: Thank you.

Mr. Kyle Peterson: Do you have a view from above? The office is changing considerably. Your predecessors did great work, but they didn't necessarily set a precedent. You're going to have different tasks, and the office changed considerably at the time you came in.

How do you see the top three priorities in the short term? Do you think you're properly resourced? How are you even able to forecast what your needs might be in the six, 18 or 24 months when there's no barometer to determine what your office might be doing? You have no idea how many requests you might get, for instance, from MPs or committees.

● (1655)

Mr. Yves Giroux: Thanks for the pep talk.

Mr. Kyle Peterson: Welcome aboard.

Mr. Yves Giroux: Indeed one of my top worries is what the requests will be and the number and nature of the requests with respect to electoral platform costing. We've had preliminary discussions with representatives of the political parties represented in the House. Indications are that a good proportion of them will be requiring our services when it comes to electoral platform costing.

That being said, whether they'll have a dozen requests or 12 dozen requests still remains to be seen. However, I feel we are properly resourced. We have built up the resources and the capacity, and are still in the process of doing that. We're also developing MOUs, memoranda of understanding, with the public service so we can request their assistance in a confidential manner, so they won't know who the requesting political parties are and they will help us during the electoral costing proposal. That's the number one priority for me, ensuring that we are ready for that.

Number two is being able and well resourced to respond to requests from parliamentarians between now and the election. That should be number one, in fact, because that's here and now. So, that's the top priority for me, being able to respond adequately to requests from members, senators and committees.

Number three is having an institution, the PBO, that is sustainable over the longer term. Once we get past election 2019, whenever that is—October 19, if everything goes according to plan—the priority is that we are able to stay and become a world-class fiscal responsibility office.

Mr. Kyle Peterson: Building on that, we here on the government operations committee get to look at what all the departments are doing. Every department has a departmental plan, and we look at them from time to time and have members from those departments come in and report back on how they're doing and whether they're meeting their goals and targets, and if not why, and maybe what resources they need to improve.

I know you don't necessarily have a departmental plan, but do you have some structured framework like this that you work with in the PBO?

Mr. Yves Giroux: Yes, we have what we call an annual work plan, in which we outline the main issues we'll be looking at, the main reports we will be issuing, and that's as close to a departmental plan as you can have, our annual work plan.

Mr. Kyle Peterson: Do you visit that from time to time? Do you process that and check it? Is there a way we can get that provided to us on an annual basis maybe, or something like that?

Mr. Yves Giroux: Of course. I think it's been tabled in the House and in the Senate, and it's available on our website.

Mr. Kyle Peterson: Perfect, that's great.

Please let me know, Mr. Chair, if I'm done.

The Chair: You have less than a minute.

Mr. Kyle Peterson: Okay.

:et me ask you this question: What do you see as the number one challenge in the short term in the PBO and in your role?

Mr. Yves Giroux: Access to information, I think, will continue to be an issue.

Mr. Kyle Peterson: What powers do you have? You make the request of the department, whatever entity you need the information from. They could say yes and provide it, or say yes and take their time providing it, or sometimes they say no. What resources do you have, if they say no—

The Chair: Give a very brief answer; you only have about 20 seconds, sir.

Mr. Yves Giroux: If they say no, I can name and shame them, and I think that's probably the most efficient dissuasion. In my experience, all public servants hate being dragged in front of a committee, so naming and shaming them and threatening that they'll be required to testify in front of a committee is sufficient in most cases to allow them to provide me with the information, if they can.

[*Translation*]

The Chair: Mr. Deltell, you have five minutes.

[*English*]

Mr. Gérard Deltell: Thank you very much, Mr. Chair.

[*Translation*]

Welcome to your House of Commons, Mr. Giroux and Mr. Jacques.

Mr. Giroux, please accept our hearty congratulations. You have been on the job for barely three months. You were appointed by the government, and I believe the position is a good match for your talent and experience. I wish you a successful seven years.

I would like to take this opportunity to thank your predecessor, Mr. Fréchette, with whom we had the pleasure of working over the past five years, three years in my case. I always appreciated his open and positive approach to managing the public purse and how he perceived his job as parliamentary budget officer, which is not an easy job as we all know. I wouldn't exactly call you a watchdog. Your job is to provide accurate information about public finances, which can be upsetting to the government and delightful to the opposition, be they Liberal or Conservative.

I would like to touch on what Ms. Mendès said just now about the government's economic update and the state of public finances just prior to a federal election. I would like you to comment on that, and then I will share a few observations.

You said you are open to the idea. Is that something you would actually like to see? Now that we have fixed election dates, we would know exactly when to expect your report.

If you agree with that, what are your thoughts on the timeline?

● (1700)

Mr. Yves Giroux: I think it's a very good idea. I think anything that can level the playing field, any non-partisan, unbiased information that can be made available to parliamentarians, is a good thing for them as well as for the Canadian public. That's why I intend to release not only the April update, but also one final economic and fiscal update in June right before the election campaign. There will probably be a very brief update to our April report sometime in June before the House rises for the summer.

Mr. Gérard Deltell: That is your intention or that is actually what you are going to do?

Mr. Yves Giroux: It is my intention, but it's still early days, so I can't say for sure that I'm going to do it. Can you give me a few days to get back to you on that? Let's say it is my firm intention to do it.

Mr. Gérard Deltell: Very good.

[*English*]

Just in terms of a short history, Mr. Chair, I played in that movie when I was at the provincial level, and I can say that I was the key man who said, “You should do that.” I was the one who tabled that when I was in the National Assembly.

It was six years ago under the PQ government. We worked quite well on those issues, the opposition and the government, and worked hand in hand to make some changes in electoral reform. We also implemented that we would have a neutral platform on which to base the economic framework for each and every party. We have seen that at the provincial level in Quebec and in provincial relations in Quebec. Just a few weeks before the start-up of the election, the PBO in Quebec tabled that document.

[*Translation*]

There's a question I'd like to ask you because it came up in the debates we had in Quebec at the time. Do you want to pass judgment on political parties' financial framework?

Mr. Yves Giroux: Personally, would I want to do that? I'm an economist by training, and I have been in the public service for 23 years, so of course I have an opinion on that. Can I actually do that under the enabling legislation though? I don't think so.

My mandate is limited to estimating the cost of the parties' election promises when they ask me to do so, along with certain parts of their platforms. It's not my job to criticize or judge any political party's financial framework.

Mr. Gérard Deltell: That's a very good answer. In my opinion, it's not something that should be done. Providing information about public finances gives all parties the same accurate information on which to base their financial framework. That information is undisputed and indisputable because you provide accurate information. If you were to go so far as to pass judgment on a particular party's financial framework, that would not be minor interference in the electoral process; it would be major. If you were to say something good about party A, you can be sure party B will say you're wrong, and the politicking over that would be never-ending.

Thank you, Mr. Chair.

[*English*]

The Chair: Thank you very much.

Madam Yip, please, for five minutes.

Ms. Jean Yip (Scarborough—Agincourt, Lib.): Thank you for coming. Congratulations on your new position.

Mr. Yves Giroux: Thank you.

Ms. Jean Yip: Will all the cost estimates of any election campaign proposals be completed prior to the general election?

● (1705)

Mr. Yves Giroux: That's a very good question. I wish they were, but it will depend on a couple of factors: number one, the number of requests that will be addressed to me in my office and, number two, the timelines through which these will be submitted to me in my office.

For example, if somebody were to submit a request for costing an electoral commitment two weeks before the election and it's something that's very complex, it's unlikely to be completed on time for the election. If all the requests come in at the start of the 120 days as set in legislation—if all the requests come in on June 22 or 23 for an election on October 19—then chances are that the vast majority of them, if not the totality, will be costed before the election.

A voice: It's on October 21.

Mr. Yves Giroux: October 21? I've just shortened the campaign by two days inadvertently. Sorry.

Ms. Jean Yip: You can really do that for the parties and for all the members?

Mr. Yves Giroux: The legislation clearly states that I can do that for recognized parties and then for independent members. Members that are part of a political party will have to go through their political parties. Independent members will be able to place individual requests.

Ms. Jean Yip: That makes more sense. Will this be publicly available?

Mr. Yves Giroux: It will become public once the political party or the independent member makes that political campaign commitment public. Until such time as the commitment is public, it has to remain confidential. When it's made public, then I will make the costing and the methodology public at the same time, or shortly thereafter.

Ms. Jean Yip: How long do you think it would take?

Mr. Yves Giroux: It depends on the specific proposal, and on the number of demands placed on my office. If it's something very simple that seeks to amend a tax rate, for example, without any other changes to any other tax parameter, it's fairly simple.

If it's an entirely new program that has not been implemented anywhere in a jurisdiction in Canada or in a similar jurisdiction, this would be more complex. We could be talking weeks. If it's fairly simple, we can be talking a matter of several days. Of course, the more details I get from the requesting party, the easier it is for me and my office to determine the cost.

Ms. Jean Yip: What were the results of the pilot project to identify the gaps and improve the process in preparation of this electoral campaign costing? Do you know about the pilot project?

Mr. Jason Jacques: That was for budget 2018. We did embark on a pilot project to actually run through the entire budget, all 155 measures, and identify those we thought would require a costing, or could be subject to a PBO costing. Of those, we identified 19. Of those 19, we were able to do 11 within a relatively short period of time. This was good for the office. Historically, it's taken between four to six weeks on average to actually turn around a report for something that's fairly straightforward, so we definitely reduced our turnaround times.

That being said, it did become evident there were capacity gaps in the office. In particular, you're looking at corporate income tax as well as the area of employment insurance. These were areas where we actually dedicated additional resources to build additional capacity to ensure that, hopefully, for the upcoming fall economic statement as well as budget 2019, as opposed to batting 50%, we were actually batting closer to 100% or so.

The Chair: Thank you very much.

Mr. McCauley, you have five minutes.

Mr. Kelly McCauley: Mr. Chair, I want to do a bit of committee business. I have a notice of motion I want to introduce. It's from September 28.

The Chair: This is Mr. McCauley's motion of Friday, September 28, 2018. It is in order.

Are you planning on moving it now?

● (1710)

Mr. Kelly McCauley: Yes.

The Chair: Paul will distribute copies of it, so that everyone knows what you're moving.

Mr. McCauley.

Mr. Kelly McCauley: Colleagues, seeing as we have committed to do a study on public service hiring, I'd like to add this in. Basically, it's to add two full days to review the hiring of veterans. It's been in the news recently. There was a rather uncomplimentary article by Murray Brewster the other day. The headline reads, “Critics blast Ottawa's post-military jobs program for sidelining medical discharges”.

A National Post headline refers to concerns that federal jobs for injured military personnel are going to senior staff and not the military themselves. A Globe and Mail headline refers to disabled veterans waiting on a priority list for public service jobs. Also, the Globe and Mail refers to disabled veterans are finding doors shut to jobs in the federal civil service.

Ms. Yasmin Ratansi: We agree with you.

Mr. Kelly McCauley: Can we pile it in at the same time as we're doing the broader public service one?

Ms. Yasmin Ratansi: Yes.

Do you want a vote or can it be unanimous?

The Chair: Yes, I was going to say, seeing as I have no one on the speakers list, we'll just go to a vote on Mr. McCauley's motion.

(Motion agreed to)

Mr. Kelly McCauley: Thanks for your patience, gentlemen.

The Chair: Mr. McCauley, I didn't even dock your time for that motion.

You have five minutes with the PBO.

Mr. Kelly McCauley: That's wonderful of you.

We talked about a fixed election date. This is one of the recommendations from the OGGO report on the estimates. Could you, and maybe Mr. Jacques as well, just walk us through how you think it would work if we went to fixed budget dates? We've brought it up before and the comment from certain officials was that it would be merely busy work and not really help the process along.

I've seen how Australia, even without a fixed budget date for 99 of the last 100 years, including during two serious wars, managed to get a budget in the same period year after year.

Just walk us through how you would see this working for us, timing-wise, working with Treasury Board and Finance, etc.

Mr. Yves Giroux: I would see it being probably a February budget. Having seen a couple of budget cycles in my life, I would say that it could be in January, but February would probably be the latest you could realistically have a budget and have funding or initiatives in the budget reflected in the mains.

Mr. Kelly McCauley: So February, with the mains introduced at the same time?

Mr. Yves Giroux: Probably a bit later, if you leave enough time for TBS officials to include budget initiatives to be included in the budget, so that when the budget gets debated in the House shortly thereafter, probably sometime in early April, you have main estimates that fully reflect budget proposals.

In the meantime, you have interim supply to keep the government going, but in April, committees and Parliament debate the mains, and the mains fully reflect budget initiatives. That's how, in a nutshell, I would see that.

That would require close collaboration between Finance and the Treasury Board Secretariat before the budget. Finance could not work in isolation on developing budget proposals, but my understanding is that Finance and TBS already have improved working relationships in the pre-budget period. They would probably need to bring that one step further.

Mr. Kelly McCauley: Do you see any drawbacks to having a fixed budget?

Mr. Yves Giroux: Yes, there's one important drawback. It removes the government's flexibility to move the budget cycle to respond to unforeseen events. For example, if there is uncertainty in the world markets or if there is a financial crisis that has just developed.

● (1715)

Mr. Kelly McCauley: There are remedies for that, though.

Mr. Yves Giroux: Yes, there is always—

Mr. Kelly McCauley: If we just introduced a budget a couple of months ago, and a financial disaster happened today, we wouldn't say let's wait until next February.

Mr. Yves Giroux: No, the government always—

Mr. Kelly McCauley: It would be the same with a fixed date, would it not?

Mr. Yves Giroux: Yes. The government could still introduce ad hoc measures to respond to an emerging crisis. It's happened in the past. For example, in 2001 there was a December budget to respond to the crisis of September 11. It's possible to have budget documents or updates on steroids, so to speak, that include budgetary measures. It's happened quite frequently in the history of the country.

Mr. Kelly McCauley: Right. Do you think that if we had an aligned fixed budget date and estimates coming out shortly afterwards, it would address a lot of our inability to follow the money, so to speak?

Mr. Yves Giroux: I think it would certainly make your job easier to understand what's in the mains and how that reconciles with the government's priorities expressed through a budget.

Right now, I think having the mains reflect only part of the government's priorities is not very helpful, because a chunk of it has to be found in the in the supplementaries. So having more, if not all, of the budget money in the mains would make your job—and mine too, to be honest—easier.

Mr. Kelly McCauley: How much time is left?

The Chair: Thirty seconds.

Mr. Kelly McCauley: I'm fine then, thanks.

It's difficult to ask and respond in 30 seconds, so I'll let it go.

The Chair: Madam Ratansi, I have you and Mr. Drouin splitting time.

Ms. Yasmin Ratansi: Mr. Drouin decided not to speak.

The Chair: So it will be only you.

Ms. Yasmin Ratansi: Yes, it's only me.

The young man doesn't want to ask questions.

Voices: Oh, oh!

Ms. Yasmin Ratansi: Thank you, Mr. Giroux, for being here. I'm glad to see that your expertise as an economist and on the federal budget and government expenditure system is going to be very useful for us here.

You allayed Ms. Mendès' fears about the MPs' pension contribution.

The interesting thing is there are so many different methodologies. There are so many permutations and combinations that I found it quite alarming that this man could compare us to Detroit and that he could mix up our governance in the financial institution systems with the United States. We have a very strong governance structure. We did not allow subprime mortgages. We have our banks on a different.... Anyway, that's besides the point.

You talked about challenges to accessing data. The previous parliamentary budget officer had huge challenges with CRA when he was trying to assess the revenues lost by the government for those tax evasions, not the properly legitimate tax vehicles. I have to be careful what words I use; as an accountant I do have to be very careful what terminology I use.

You have been the chief data information officer for CRA. How will you ensure that you get that information without having to go to court? How will you ensure that the revenues that are duly required by the Government of Canada do come to Canada?

Mr. Yves Giroux: The second part, sadly, is not part of my mandate. I'm not the tax collector.

Ms. Yasmin Ratansi: I know.

Mr. Yves Giroux: That's up to CRA. They have some very aggressive and efficient people at CRA. Some of our citizens experience that the hard way.

Voices: Oh, oh!

Mr. Yves Giroux: On the first part of your question, on how will I get information from the CRA, knowing how to ask the question and what to ask for is often key. CRA is by its very nature a risk averse institution. They have the privacy of Canadians' tax information at the top of their concerns. Anything that could be remotely seen as infringing the privacy legislation, they take with great caution.

That means even what we call “residual disclosure” in the parlance of economists and data geeks. For example, even if they remove the name, address, postal code and social insurance number, there is a possibility that somebody could link one tax record to a particular individual based on the characteristics of that tax record. Tax records include lots of information.

They are very worried about residual disclosure. That's why they will want to aggregate as much as possible the data that they send. But there are ways to ask questions and to ask for data that do not risk residual disclosure. In my former capacity, I worked with the previous PBO to ensure that he was able to get access to the information that he needed by directing him to what was feasible within the confines of the law. The request for information was totally legitimate, but the level of detail was probably too fine for the comfort of the CRA.

By aggregating the tax records that he was looking for, that's how it was possible to come to an agreement that was satisfactory for both parties.

● (1720)

The Chair: Thanks very much.

Ms. Yasmin Ratansi: That's it?

The Chair: Isn't that something? Time is so precious.

Ms. Yasmin Ratansi: That's not five minutes.

The Chair: That's five minutes.

Ms. Yasmin Ratansi: My God, it felt like two.

Excuse me, Mr. McCauley.

The Chair: Madam Mathyssen, welcome to the committee.

We have time for one three-minute intervention, should you wish.

Ms. Irene Mathyssen (London—Fanshawe, NDP): Thank you very much, Mr. Chair.

Mr. Giroux, thank you for being here.

I have so many questions. Madam Ratansi actually inspired one. I will set it aside because I'd like your take on health care and the cost of health care.

Quebec just had an election and the new government is talking about privatizing some health services. We've seen that in B.C. in the past with surgeries, and in Ontario with some surgeries and diagnostic tests. That bothers me very much because of the erosion. Very clearly, there have been cuts in health transfers over the years. I wondered if there hadn't been those cuts to the health transfers would the provinces be in a more sustainable position.

Would we, for example, not be seeing the kinds of rumblings and decisions that we're hearing in Quebec and seeing in Ontario and B.C.?

Mr. Yves Giroux: That's a very hypothetical question. It would be quite hazardous for me to try to answer because it depends on what would have been, what assumptions we make as to what the level of transfers would have been in the absence of past policy actions. For sure, if the health transfers were higher than they are now, the provinces would be in a better position. That being said, it depends on the magnitude of these higher transfers as to whether it would be significant or not that significant an improvement in provincial fiscal situations.

Ms. Irene Mathyssen: I guess the flip side of that is if, for example, provinces were successful and convinced the federal government that transfers should in fact be increased, the health and social transfer. Do you have any sense of how that would affect the federal government in terms of sustainability and its ability to balance?

Mr. Yves Giroux: In the fiscal sustainability report that we released last week, we estimate that the federal government has fiscal room amounting to $29 billion. That could be a mix of tax cuts or an increase in expenditures. Expenditures could be defined as increased transfers to provinces and territories. So there is that amount of fiscal flexibility in the status quo, assuming status quo policies, of course, for all jurisdictions. That's the amount of fiscal flexibility that would be available to the federal government. It could be transfers to provinces. That would significantly improve the situations for provinces and territories.

The Chair: Thank you very much.

Mr. Giroux and Mr. Jacques, thank you so much for being here, your first time before our committee in your new capacity. I wish you the best of luck.

I note with interest, of course, that you are an economist and Madam Ratansi always likes to remind people that she's an accountant. I harken back to the old saying of former prime minister Harper that he wished he could become an economist because he just didn't have the personality to become an accountant.

Voices: Oh, oh!

● (1725)

Ms. Yasmin Ratansi: Hello. He didn't.

The Chair: I have to disagree with that because I think his personality....

Ms. Yasmin Ratansi: He's an economist.

The Chair: Thank you very much for being here.

Colleagues, the meeting is adjourned.