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• (1105)

[English]

The Chair (Kelly McCauley (Edmonton West, CPC)): Good morning, everyone. I call the meeting to order.

Of course, that is the signal to our friends with the media to turn off their cameras and head out.

Thank you very much for joining us today.

Welcome to meeting number two of the House of Commons Standing Committee on Government Operations and Estimates, widely known around the world as the mighty OGGO, of course, the only committee that matters.

Before we continue, I have just a couple of housekeeping items, because we have some new members.

One is just a reminder to keep your headpieces away from your microphones so that we can protect the hearing of our very valued interpreters who are joining us today.

I have a couple of other things. We do operate OGGO somewhat informally compared to other committees, and if you're trying to get the chair's attention, we just ask that you put up your hand and wait until you're recognized before you start speaking, please.

We have our very first guest today. Pursuant to Standing Order 108(3)(c), we're holding a briefing with our interim Parliamentary Budget Officer, Mr. Jason Jacques, who has been with us many times over the years.

Congratulations on your appointment. Although I think we are disappointed that the government ignored the will of the committee in terms of our wish to extend Mr. Giroux's term, I have to say we're very pleased that you've been appointed as the interim PBO. We know you're very dedicated to the role and to the office. Congratulations. Welcome back to OGGO.

We'll open the floor with your opening statement, sir. Please go ahead.

Jason Jacques (Interim Parliamentary Budget Officer, Office of the Parliamentary Budget Officer): Thank you, Mr. Chair.

Good morning, distinguished members of the committee. Thank you for the invitation to appear before you today.

My name is Jason Jacques. I am honoured to serve Parliament as the interim Parliamentary Budget Officer. You have me for another 166 days unless the Prime Minister appoints somebody else for a seven-year term more quickly.

[Translation]

As I begin my term, I'd like to take a moment to acknowledge the work of my predecessor, Yves Giroux.

Mr. Giroux set high standards of excellence that were recognized by the Organisation for Economic Co-operation and Development, the OECD, which ranked Canada as the number one country in the world for independent tax institutions. The entire team at the Office of the Parliamentary Budget Officer, myself included, is determined to maintain the quality and integrity of the work he has done.

[English]

My primary message to this committee today is one of stability and continuity. Our office remains steadfastly committed to its core mandate: providing independent, non-partisan analysis of the nation's finances, the government's estimates and the Canadian economy.

Parliamentarians and the public can be confident that our work will continue without interruption. We will continue to provide the clear, accessible and transparent analysis that you expect from our office. Our work will always be guided by evidence and a firm commitment to supporting informed debate within these walls and across the country.

To that end, last week we released an analysis of the family wealth distribution. Later this week, we will publish an updated analysis of federal infrastructure spending. Next week, we will publish the economic and fiscal baseline for the country. In advance of the government's budget—budget 2025, whenever it's published—we think parliamentarians need to see a five-year forecast of where the nation's finances currently stand, so that they are well prepared to consider whatever the government decides to bring forward as part of its economic and fiscal plan.

We recognize that this committee and all of Parliament face key budgetary issues in the months ahead and that your decisions will impact all Canadians. To that end, I want to extend an invitation. Our door is open. We are here to support your work. We encourage you and your staff to reach out for briefings or with any questions you may have. We promise to be responsive, clear and—this is bolded in my opening remarks—impartial.

[Translation]

As committee members know, I have already reached out to their offices to provide them with information about our plans in the coming months.

Thank you for your time. I look forward to any questions you may have.

[English]

The Chair: Thank you, Mr. Jacques. I should have told you it has been customary in the past that the PBO brings doughnuts for the committee at his appearances.

Thanks very much.

We'll start with Mrs. Block for six minutes.

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

Good morning and welcome to our committee meeting today. I want to echo the chair's congratulations on your appointment as the interim Parliamentary Budget Officer. Of course, as you know, it was a Conservative government that created this office with a view to receiving that very impartial advice that you noted in your opening remarks. I look forward to working with you over the next six months. Hopefully the Prime Minister will see this appointment as being very important and look to putting someone in place on a permanent basis.

I want to get right to some of the questions that we have based on the reports that have been released to date. Would you agree that without a clear definition of what counts as operating spending, it's impossible to evaluate whether the government is on track to meet its fiscal anchors?

• (1110)

Jason Jacques: Officially, within the office, I don't know that the government currently has fiscal anchors, which, of course, causes the people I work with a considerable degree of concern at this point. As everyone knows, the government did have fiscal anchors. The previous minister of finance had the fiscal anchor of a ceiling of the annual deficit at 1% of GDP, along with the declining debt-to-GDP ratio. It's unclear where those stand. They haven't been reiterated by the current government to the best of my knowledge.

With respect to your point regarding the capital and the operating side, we haven't seen a clear definition of what would fall into capital and what would fall into operating. At this point, it's impossible for us, and for you as parliamentarians, to assess the likelihood or probability of the government hitting any fiscal target.

Kelly Block: Thank you very much.

Do you have any idea of when the government will give a concrete definition of its spending criteria and what its fiscal anchors may be, so that you can do the very important work of monitoring the government's spending plans?

Jason Jacques: The short answer is no. There's a longer answer I can give you if you have more time, which is that we're waiting for budget 2025 at this point. Traditionally what happens is all is revealed in a 400- to 500-page document, and at that point we will have a clear sense of precisely what the fiscal anchors are. If the

fiscal anchor continues to be balancing an operating budget, hopefully at that point there will be a definition of what that operating budget actually means.

Kelly Block: Thank you.

If the government is impeding the PBO from fulfilling its mandate as a fiscal monitor without any fiscal anchors being identified—a budget that has not been presented yet, and it sounds like it's going to be pushed back even further than what the Prime Minister promised earlier—would you say it creates more uncertainty for potential business investment in Canada?

Jason Jacques: The uncertainty is always elevated in a period of low transparency. That goes without saying and is well researched and well demonstrated. That's why the Parliamentary Budget Office was created and set up in 2008. In these situations where, for whatever reason, there ends up being a gap in fiscal transparency, not only will the Parliamentary Budget Office point out that potentially we're operating with incredibly low levels of fiscal transparency, which will feed into business uncertainty among other things, but the Parliamentary Budget Office can actually step in and try to alleviate part of that, which is why next week we're going to be publishing our economic and fiscal baseline: a new five-year forecast, our outlook on the economy, as well as our outlook on the deficit figures for the next five years. Hopefully that will alleviate some of the uncertainty.

Kelly Block: My next question is this: If the government were to balance its operating budget but continue to increase its inflationary spending, who would end up paying for that spending?

Jason Jacques: I would say two things. The short answer to your question is there's only one: the taxpayer. The people of Canada work hard. They send money to Ottawa, which all of you get to vote on and decide how it's going to be spent across the country. If there's additional money borrowed, obviously it has to be paid back at some point, and the people of Canada are going to do that.

I would also circle back to my previous answer with respect to the operating and capital budgets. We currently don't have a definition of the operating budget, so it's purely speculation on anybody's part at this point: What would happen should the operating budget, which has not been defined by the government, be balanced?

The Chair: Thanks very much.

Mr. Gaheer, go ahead, please.

Iqwinder Gaheer (Mississauga—Malton, Lib.): Thank you, Chair.

Sir, I'd like to echo calls from the opposition, and the chair as well, in congratulating you on your interim appointment.

Regarding the line of questions that was just asked, what was the old definition of "operating expenses" that was used beforehand?

• (1115)

Jason Jacques: We published a note on this over the course of the summer. There ends up being a standard definition that I think a lot of people will be familiar with in the budget. In the budget, when you're looking at the expense table, you come down and there's a line called "operating expenses". Typically, those operating expenses, as currently defined by the Government of Canada, primarily include things like salaries and things related to salaries, like professional services expenses, utilities or anything related to the ongoing operations of the government.

Again, anything I would say at this point is speculation, because there hasn't been an official backgrounder issued by the Government of Canada, by the Department of Finance, regarding what the new definition could potentially be. However, that's the traditional definition that all of us are familiar with.

Iqwinder Gaheer: The minister announced that we're going to increase capital expenses as opposed to operating expenses, so how might the separation of operating and capital expenses affect the transparency of federal spending?

Jason Jacques: To go back to a point I made earlier, I think the first aspect is how the terms are actually defined. We currently have definitions of "operating capital" that show up in the budget—people are familiar with it—and they show up in the public accounts, audited by my counterpart, the Auditor General of Canada. If these terms are defined differently to mean different things, there obviously ends up being a risk that people end up being confused, or the terms end up being conflated, even though they mean slightly different things. That's obviously a risk and something we're going to pay attention to. It's something that the Department of Finance and the government are aware of.

I was appointed by the Prime Minister, and I don't need to make his arguments for him, but potentially, someone taking more time to come up with a comprehensive and well-thought-out definition of what "operating" and "capital" look like before rolling out a new definition and a new way of presenting things isn't a bad thing.

Iqwinder Gaheer: In your viewpoint, were those definitions dated and should they be updated?

Jason Jacques: Those definitions primarily come from international accounting standards. In terms of the existing definitions, a point that we made in the report that we published in the summer is that, from our starting point, everyone around the world is familiar with them. The Government of Canada doesn't control those definitions, so they're impartial and independent. If you run a business or you're a small business person, you're familiar with those definitions as well. For us that means that those are the definitions we're going to focus on.

Certainly, I've been here for 17 years, and, from my perspective, parliamentarians get this sense of a bottom line. Are you borrowing more or less money? Do you have a deficit? Do you have a surplus? We haven't had a surplus in a while, so we haven't had to talk about that. Changing the definitions at this point to say, "Well, do you have a surplus in your operating budget versus your capital budget?" will definitely be a challenge, for nomenclature, in trying to explain things.

Also, something members of the committee obviously are aware of is that there aren't a lot of people on the Hill who have a detailed financial background. There are really smart people. Obviously, parliamentarians are smart, committed and willing to put in the time and the effort, otherwise they wouldn't be here. At the same time, they don't have time to go into excruciating detail around the international financial standards definition of what an operating budget is and then do the cross-comparison to something else. That, I guess, is why we're here. Ultimately, whenever the government ends up with a definition, and whatever definition they end up with, the Parliamentary Budget Office will be here to explain it in the best way we know how, to support parliamentarians.

Iqwinder Gaheer: It's been a long time since I took accounting as an undergraduate—maybe not that long—but I remember that there were several different standards, actually. There was an international standard and there was an American standard. There was a bit of a tussle between the two on which one should reign supreme. Is it still the case that there are several definitions floating around?

I understand the benefit of the continuity of keeping a certain definition, but in today's day and age, to model today's spending expenditures, I think you also mentioned that it's maybe not the worst thing to update those definitions.

Jason Jacques: No, not at all. I think, to answer that, because I'm getting the evil eye from the chair, I'll cut to what I think is the most—

The Chair: It's because of the doughnuts.

Voices: Oh, oh!

Jason Jacques: We can have a geeky discussion about accounting standards. Is it a bad thing to update standards in the presentation of documents? Absolutely not.

If the approach internally within the government is to move to a decision-making approach where internally within the public service they're going to be focusing on operating versus capital, I would hope that they would be presenting that in the budget, so that people could actually understand how the government is making decisions and what it looks like. It would be non-transparent, or would undermine transparency, to have one way of making decisions inside the government and to then present a set of financial statements or a set of financial information without incorporating what the government knows internally.

• (1120)

Iqwinder Gaheer: There's always room for improvement, right?

Jason Jacques: Yes.

The Chair: Thank you, sir.

We'll go to Ms. Gaudreau for six minutes.

Go ahead, please.

[Translation]

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

Mr. Jacques, it's a privilege to have you here today. I am acutely aware of our current political reality. I eagerly await your economic report next week. That will help us with our own work.

That being said, I have a number of questions for you, because I need clarification. It must be said, the Prime Minister told us there would be a budget featuring both austerity and investments.

I'm thinking of my fellow Canadians. Entrepreneurs are asking me how we will manage to strike some kind of balance in the future.

Given all the imperatives required for financial stability and economic development, how can we achieve a diligent fiscal policy?

Jason Jacques: Thank you very much for your question.

I think the Prime Minister or officials from the Department of Finance would be better placed to answer it, but I can imagine it would be difficult. As we discussed before the meeting, this is a very difficult time economically. There was a loss of 100,000 jobs over the summer. In addition, as we saw this morning, the consumer price index has risen. In the current economic context, it is difficult.

In addition, given the financial context, it is clearly much more difficult now compared to the situation before the election. The deficit will be higher than we previously forecasted. MPs and senators will have to find a solution to change and reshape Canada's economy to ensure sustainable long-term growth. It's important to understand that our supposed crucial economic relationship with the United States is over. To quote the Prime Minister, there was a breakdown.

As you said, it's going to be incredibly difficult. These are not normal times. In my opinion, the current economic context is more difficult than the one we experienced during the pandemic and in 2008 and 2001.

Marie-Hélène Gaudreau: I think your 17 years of experience will really help enlighten us. We hope to be very satisfied, but I'm not concerned at all.

As for the much-discussed debt-to-GDP ratio, they say that ours is the best in the G7. Is that a smokescreen? Since there's a lot of talk about taxation, the federal budget and the debt rate, what do voters, citizens, need to know about this topic?

Jason Jacques: For us, the debt-to-GDP ratio is a simple and important number. I think that's the case for most people and governments around the world. It's a way to quickly assess whether or not the Government of Canada's current situation is stable. There are two aspects to that number: There is debt, meaning all the payments made in the past, and the size of Canada's economy. For us, this aspect is important because it underpins economic growth.

As I mentioned, in the past, Canada followed what was happening with the U.S. economy, because of the supposed crucial relationship it had with that country. That is no longer the case today. As you know, all businesses are conducting their own assessments. Over the past years and decades, we exported many goods and services to the United States. That will no longer be the case in the future.

We need to restructure and grow our economy to ensure that growth remains high and that the debt-to-GDP ratio stays the same or is reduced. We also have to ensure that people's standard of living remains high and that it rises.

● (1125)

Marie-Hélène Gaudreau: I have another question for you during my next turn.

[English]

The Chair: Thanks.

We'll now go to our five-minute round with Mr. Patzer.

Just so you know, when we get back to the Bloc, instead of a two-and-a-half-minute round, it will be a five-minute round because I'm combining the next two rounds for her. We'll skip her in the next round.

Mr. Patzer, go ahead.

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

Thank you very much, Mr. Jacques, for being here.

I'm just wondering whether the government has consulted your office yet when it comes to the development of a budget for this fall.

Jason Jacques: Yes, the government has reached out to us. Department of Finance officials reached out to us last week. We had a very productive, although short, discussion with them with respect to some of their ideas around the operating and capital budget definitions.

Jeremy Patzer: There's a rumour that hit the news yesterday and today about the government possibly delaying the budget until November. Does that complicate things for you, or does that throw any wrenches into the gears in terms of how you're able to do your job and able to effectively provide that transparency for taxpayers?

Jason Jacques: The short answer is no. It doesn't.

Again, I go back to that being the reason our office was created. If the government wants to take 10 months before it puts up an Excel spreadsheet that indicates what its deficit estimates are for the next five years, that's great for us. We will go in and fill the space.

Next week, you're going to see a five-year forecast from us. If the government wants to go 12 months without producing a budget, as a citizen I would feel a bit uncomfortable, but as somebody who works in the parliamentary budget office, I would say that's great for us, because we will occupy all of the space it decides to give up.

Jeremy Patzer: That's interesting.

Did you get a chance to look at the Liberals' campaign after they were elected and formed government? Did you get a chance to look at the spending announcements and the promises and give a costing analysis of that? This is post-election, not pre-election.

Jason Jacques: No, we haven't gone through the platform.

As you may be aware, one aspect of our mandate is to cost electoral promises at the request of a particular political party. We did some of that work, as you can see on our website, for the Liberal Party of Canada. Typically, we do not circle back after the election to cost the entire platform, because there's usually a bit of space between what's in the platform and what ultimately ends up being implemented.

Especially given the current period of uncertainty, we wanted to make sure that we were focused on what Parliament is actually voting on, because once the election is over, our mandate is to focus squarely on the decisions that parliamentarians are making. It's great to have something in the platform, but if you all—*vous*—are not voting on it, from our perspective it's a waste of everybody's time.

• (1130)

Jeremy Patzer: Okay.

There was a request, I guess, by the Prime Minister to cabinet, to find \$25 billion in savings by this fall. How hard would it be for the government to find \$25 billion in savings by the fall?

Jason Jacques: Yes, I don't know. I work for the parliamentary budget office, not the parliamentary spending restraint office.

There's one thing I will say. For the first 10 years of my career I worked in the federal public service in Finance, the Privy Council Office, the Treasury Board Secretariat and the Bank of Canada. I spent a lot of time working on restraint exercises. The timelines are tight. You can certainly find money.

The timelines are very, very tight that the government has in mind, and given the order of magnitude of the funding that they're looking at.... It doesn't mean it can't be done. It just means that, to the best of my knowledge, it is a significant undertaking, and potentially.... I think the public service is certainly up to the challenge, but if you go back to the 2012 restraint exercise, in that situation we had the 2011 election, Parliament came back in June, direction was provided to the public service at the end of June, and then we had a budget in March of the subsequent year, 2012.

In that situation, you were looking at around a 5% spending cut as opposed to.... Now, as I understand it, it's 7.5%, going up to 15%. In that situation, for the 5% spending cut, you were looking at nine to 10 months.

You can do it, but it will be tight for them.

Jeremy Patzer: It will make it tough when the Prime Minister comes out and announces \$13 billion in a new bureaucracy for a housing fund. There's \$4 billion for Ukraine and there's \$9 billion in defence spending. He just announced \$9.5 billion more in Toronto the other week. I mean, on the one hand, he's saying to find \$25 billion in savings, but on the other hand, he has announced more than that in new spending.

I guess that in November, when you get the budget, maybe you'll get a chance to see how that's going to pan out. Does that mixed signal make it hard for your office to find clarity in how you're going to account for that?

The Chair: There is time for a yes-or-no answer. Perhaps we can save it for the next round.

Jason Jacques: No. You'll see that we're tracking all of these announcements. I would say that the Department of Finance is very helpful in providing detailed information with respect to the spending—over a five-year period of time—about what each of these announcements is going to cost, and we account for all of it and we keep track of it. You'll see it next week with our updated economic and fiscal outlook.

The Chair: Thank you.

Ms. Suds, please go ahead.

Hon. Jenna Suds (Kanata, Lib.): Thank you, Chair.

Thank you so much, Mr. Jacques, for being with us today and for stepping up in this new capacity. I'm wishing you well in your 166 days. That's a short amount of time to get a lot done, I know.

We've spoken a bit this morning about the uncertainty that I think is certainly felt in the economy right now and, I would say, particularly in light of the trade war, in both the U.S. and China, and the implications of that in our economy. We've heard repeatedly from our Prime Minister about the efforts to build Canada strong, to build the strongest economy in the G7, with really a focus on making the necessary investments in Canadians and our economy to be able to achieve that and to support us throughout these times.

You mentioned in one of your comments the key to our prosperity being, really, the size of the economy. As we move towards a budget shortly, I'm wondering what or how you believe the budget can contribute, first of all, to mitigating that uncertainty, and second, to growing the economy.

Jason Jacques: I think most people in the room would not be familiar with the seminal piece of work that the Prime Minister put together when he was the associate deputy minister of finance in 2005, called "A Plan for Growth and Prosperity", which was published by the Department of Finance.

Going back to the Prime Minister's own microeconomic framework.... There are two parts, two key things, in an economy. First, there are people. We have, in Canada, about 41 million people who are hard-working, diligent and really talented. Then you have how they're organized and what they have to work with, so you have labour, and then you have the productivity and how you support those people.

Anything you can do at this point.... I think, based upon the government's statements, it's focused more on the productivity side: what tools you provide to people, how you organize them with different types of businesses, and what type of additional infrastructure needs to be put in place so that people can be more productive, earn bigger paycheques and pay more taxes so that we can reduce that deficit.

I think those are probably some of the most important things that I expect to see coming out of budget 2025, as well as something you alluded to on the people side: investments or supports for people for retraining. I'm around for 166 days. Following that, I hope to go back to my old job, unless Parliament deigns to keep me around for longer. If I'm looking for a new job, I'm definitely going to be counting on employment insurance and some of the retraining programs. I'm 50 years old; I think I still have a couple of years left to make a contribution to the economy. That's something else that we're going to be looking at for budget 2025, because of 100,000 involuntary job losses over the summer. The labour market is a lagging indicator, so all of those people are going to be looking for new jobs. They're not necessarily going to find jobs in the fields they were in previously, in what they were trained for. I think all of us know that that's where the government can step in and provide them with some sort of support so that they can make the best contribution possible to the Canadian economy and society.

• (1135)

Hon. Jenna Sudds: Just last week, Minister Patty Hajdu made an announcement about retraining and being able to be there for Canadians as the economy shifts and as the job market shifts. I think a really key component of that as our government makes these investments, whether those are through the major projects office and major infrastructure projects or also here in Ottawa with the public service.... I would agree that the talent piece is a big piece, and so is the retraining, as we've seen those commitments.

I'll leave it at that, Mr. Chair.

The Chair: Thank you very much.

Ms. Gaudreau, you have five minutes, please.

[Translation]

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

We're in the midst of challenging times. We're all aware of that. I am concerned, as are my fellow Canadians. They told me so when they realized how Bill C-5 had been passed, that is to say by imposing closure.

Now they're asking us what will happen with the budget. Will the budget process become a ratification exercise rather than a true democratic oversight? Will Parliament be reduced to a mere recording chamber?

I would like to hear your wishes, because people are worried. They don't want things to be done at the expense of democracy.

Jason Jacques: I started working here 17 years ago. In all honesty, I share those concerns.

We are indeed living in an era of incredible transformation. It is therefore important to act transparently on Parliament Hill. Having

debates among MPs who come from all over the world and who have a great deal of experience is a way to ensure that the government is given the mandate to implement the change. The Organisation for Economic Co-operation and Development, the OECD, has published a few studies on the government's ability to implement changes, such as budget cuts, economic restructuring measures or cuts to transfers to certain organizations to redirect funds to other organizations. What matters most is the public's confidence in the transparency of the process.

That, I think, reflects the importance of the work done by the House of Commons Standing Committee on Finance. I saw that there were over 1,000 recommendations for changes that people want to see in the budget. That's why you're here, for democracy.

• (1140)

Marie-Hélène Gaudreau: We will continue to monitor the situation to ensure that we have the time we need to analyze and discuss the reports.

I don't have much time left and I'd like to ask you a question about our credit rating. Last week, France was downgraded by Fitch Ratings, a financial rating agency, because of political—and therefore economic—instability.

We're told that we need to build a strong Canada. That's well and good, but what about our rating and the outlook for our rating?

Jason Jacques: All the other countries are having exactly the same problems right now. As you mentioned, when it comes to Canada's debt-to-GDP ratio, we are better positioned than certain other countries, particularly European ones. However, everyone is facing precisely the same challenges.

In Canada, our fiscal framework has somewhat more flexibility than that of some other countries, which don't have a lot of financial flexibility. However, we are asking the same types of macroeconomic questions to determine what strategy we can implement to achieve long-term economic growth.

At the same time, there are still issues that need to be examined. Changes always bring the possibility—sometimes the likelihood—of losses. There is the economy and there are people, and people will face obligatory changes, such as job losses, changes in businesses, the requirement to change jobs or develop new skills, for example.

It is your job, rather than ours, to ensure that Canada's new economic structure is fair. As economists, we know that sustainable economic growth leads people to view the system as fair and just.

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

Thank you, Mr. Jacques.

[English]

The Chair: Thank you.

Do you have a point of order?

Pauline Rochefort (Nipissing—Timiskaming, Lib.): May I ask our guest a question?

The Chair: No. When your turn comes around, you may.

Pauline Rochefort: Okay, thank you.

The Chair: Thanks.

Ms. Jansen, the floor is yours, please, for five minutes.

Tamara Jansen (Cloverdale—Langley City, CPC): Thank you very much.

Mr. Jacques, I really appreciate the fact that you recognize we are not all accountants here and that you're going to help us understand things.

In that vein, for regular Canadians, can you explain, just in simple words, what the Liberals mean when they say they're going to separate an operating budget from a capital budget? What changes on the books when they do that?

Jason Jacques: I'll answer your last question first. The bottom line of the government will not change. The international public sector standards that everyone uses to measure the deficit and levels of debt will not change. The first reason that won't change is that those are the accounting standards. The second reason is that the ratings agencies won't let you change it. That's the first thing they're going to go to, and if they have a sniff that somehow something...that there's a change in presentation, you can bet your boots that we're going to be paying more for debt pretty quickly.

In terms of operating capital, again, we, on our end, don't know precisely what the government has in mind. There's been no backgrounder published on the website. In some of the communication materials, the government has mentioned the United Kingdom, which has had a similar system in place. In that situation, on the operating side, the U.K. includes the operating expenses that I mentioned earlier—so, the traditional measure—in addition to other types of transfer payments. On the capital side, it includes the traditional measure, as well as transfer payments or money that's being paid out to third parties that also invest in capital.

We have a report that's going to be coming out on Thursday that looks at infrastructure spending. The federal government transfers—I don't know—over the next five years I think it's going to be over \$100 billion to provinces, municipalities and first nations to spend on infrastructure. That doesn't show up as capital spending for the federal government, but it actually results in building capital assets. So, that's something that the government could have in mind, but I don't know. I'm not inside the tent.

• (1145)

Tamara Jansen: I guess your bottom line is that debt is debt. If a family takes out a loan for a new roof, it's still debt, even if they call it an investment. It's the same for Ottawa borrowing. It's still debt.

Jason Jacques: Yes, it's absolutely still debt.

I'm hopeful—and, potentially, not naive—the nuance is that if this is the new management approach for the Government of Canada, and every time they make a new spending decision they say, “Okay, this is going to result in some sort of productive asset that's going to provide a stream of long-term benefits,” then that is certainly different from the way the Government of Canada managed its money up to this point internally. If that's going to be the

way they're going to manage things, then I hope they would convey that and explain that to parliamentarians, just by way of transparency, because you deserve to know how they make decisions.

Tamara Jansen: To think about this a little further, if credit rating agencies or lenders see the government starting to change things—for instance, even just the budget date, making a lot of changes that way—and our debt climbing.... If Ottawa's just saying, “Oh no, everything's fine,” could that hurt our credit rating or raise the cost of borrowing for Canadians?

Jason Jacques: With respect to credit rating agencies, they have quantitative metrics that they look at. They also have qualitative metrics that get down to a question of credibility. Certainly, if there isn't a fixed budget date—if the budget date is being delayed and the government is not publishing a medium-term forecast—then, obviously, it eats into the confidence that one's going to have regarding.... Especially in light of all the additional spending announcements, it could eat into the confidence that people have.

At the same time, happily, Canada is also blessed with the best independent fiscal institution in the world, according to the OECD, which means that if there is a lack of transparency in one area, we're in a good position to offset that. I can say that we meet with the ratings agencies on a regular basis, and they are very keen to receive our analysis.

Tamara Jansen: I understand, then, that your office is going to commit to publishing clear side-by-side numbers, using the old method and the new one, so Canadians will really be able to see borrowing, no matter what the government calls it.

Jason Jacques: Yes, absolutely. What we've committed to do—and what we committed to do in the report we published in the summer—is to use the traditional measure, the measure that everybody else in the world uses and the Government of Canada used up to this point. That's what we're committing to.

We will see what the government incorporates, in budget 2025, in terms of the operating and the capital budgets. If the definitions they develop, from our perspective, are not helpful to parliamentarians or are potentially misleading, then we will not analyze that, because it's not helpful. There are only 36 of us in the office. Our time is limited. Your time is limited. We shouldn't be spending time analyzing things that simply don't make sense.

The Chair: Our time is limited. We'll go to Ms. Rochefort, please, for five minutes.

Pauline Rochefort: Thank you, Chair. I do have a question to ask, so I'm glad it's my turn. Thank you so very much.

I appreciate being here this morning, at our first meeting of the fall.

[Translation]

Mr. Jacques, I really liked your comments about the fact that we're not living in normal times, and the use of the word "break-down" when discussing our relationship with the United States, because that's what we're going through right now. You also said that all countries were in a difficult economic situation, that we were facing economic restructuring in Canada and that this was bringing a lot of change. I appreciate that comment as well.

In that context, I'm wondering what your priorities are for the next 166 days. Do you see any potential changes from the way your predecessor did his job? How do you see the next 166 days in the context of such changes?

• (1150)

Jason Jacques: Thank you for the question.

As an organization, we are devoting all of our resources to budget 2025. I imagine that all House of Commons resources, as well as your time, are also dedicated to it.

As for the change and the comparison between my work and that of Mr. Giroux, as I explained to the Prime Minister's Office when I received the call, there will be no change. Mr. Giroux has been able to build an incredibly effective and productive organization, and I'm going to continue in exactly the same vein. His departure will not change anything. The Prime Minister's Office said that was wonderful and that they wanted exactly the same thing. They also said that they wanted a robust organization.

So I think it will be possible to maintain that for the next 166 days.

Pauline Rochefort: Thank you.

[English]

The Chair: You have five minutes. Are you done?

Mrs. Block, please go ahead for five minutes.

Kelly Block: Thank you very much, Mr. Chair.

At the end of my last round of questioning, Mr. Jacques, you confirmed that Canadians are still left to pay for the Liberals' inflationary spending. Should that concern or alarm Canadians?

Jason Jacques: In the same way that you'd be worried about managing your own household finances—people are really aware of how much money they owe and how much they're paying on debt service costs—yes, you definitely should be aware of it. In a context in which the labour market sucks, wages are not going up, you're facing significant technological change right now and some of the major prior assumptions of how the world and the economy work are changing or are gone, yes, I think it would cause anybody anxiety to worry about how much debt you had and how much you were paying on it.

Kelly Block: Thank you.

Given that the Liberals' election plans included \$20 billion in tariff revenue and now there are no countertariffs, can Canadians expect the deficit to grow even more?

Jason Jacques: You're trying to get a sneak peek at our new figures for next week.

Without divulging anything, I'm at committee and you're the clients, so the short answer is yes. I won't get into the precise numbers, but in comparison to our last medium-term forecast, the deficit will absolutely be higher. The countervailing tariffs are certainly one part of that, and the other part of it is additional spending.

Kelly Block: A recent news story from La Presse outlines a scenario in which the deficit exceeds \$100 billion. Could this really be possible?

Jason Jacques: I guess we'll see. Actually, someone mentioned the article to me, and my immediate reaction was that the last time we were close to a \$100-billion deficit was 2021-22 during the pandemic and during lockdowns, vaccine mandates and capacity restrictions; I don't know, as I haven't had to wear a mask in a long time. Potentially we are closing in on \$100 billion, or potentially not. I won't say our numbers are close to that or not; you'll have to wait until next Thursday.

Kelly Block: Food costs are up by 3.5% in today's StatsCan inflation release. Core inflation is above target. Will a deficit that's pushing \$100 billion make this situation worse? I'll just remind everyone that the Prime Minister has said Canadians will judge him by the cost of food at the grocery store, so will the cost of food and the core inflation being above target potentially make the situation worse if we're pushing \$100 billion in deficit?

• (1155)

Jason Jacques: I think it depends on how the money is being spent. That's always the bottom line.

Currently, by our estimates and the estimates of other economists, there's a fair amount of slack in the economy. Engaging in some sort of economic stimulus traditionally wouldn't be a bad thing when you have slack in the economy, to ensure that people can more easily find jobs and businesses have customers.

One could also anticipate a situation in which the money is being spent in such a way...if it is being spent on investment, on infrastructure and facilitating the flow of goods from other parts of the world into Canada, and vice versa. Supporting our exports is also something that could potentially reduce inflation and reduce food prices.

Again, it's tough to say a speculative figure without a budget so we know how the money's going to be spent. I'm very much off in wonderland right now.

Kelly Block: Thank you very much.

The Chair: Mr. Gasparro, please, go ahead.

Vince Gasparro (Eglinton—Lawrence, Lib.): First of all, thank you for your service—not just for now, over the next 166 days, but for your previous public service. It's great to see incredibly talented people like you stepping up, so thank you.

I really enjoyed your presentation. It brought me back to previous careers I had before I decided to join this place. I was the head of sustainable finance at a global financial institution, and at one point I was the principal secretary to former Toronto mayor John Tory.

As you know, the City of Toronto has an operating budget and a capital budget. I can tell you, as someone who's financed infrastructure, that there's a fundamental difference between spending money on operating expenses and investing in productive assets. The separation between operating and capital is critical. Frankly, the federal government should have been doing this sooner.

I just want to drill down a bit here. Is it safe to assume that when you are investing in infrastructure, the long-term productivity benefits to the economy and the revenue it generates more broadly aren't necessarily inflationary? Does that increase in productivity actually help to alleviate some of those problems?

Jason Jacques: Yes. I can give you a longer answer—

Vince Gasparro: No. I just wanted a nice, simple, clear answer, because there seems to be some confusion from the other side about what the difference is between the two.

Do you also agree that financing productive assets, in the long run, helps to alleviate our deficit?

Jason Jacques: To the extent that they are productive assets that enhance productivity and the growth rate in the economy, absolutely.

Vince Gasparro: Great. Thank you.

I have no further questions.

The Chair: Thank you, sir.

We'll go to Mr. Patzer, please.

Jeremy Patzer: Earlier, Mr. Jacques, there was what I would consider an offhand comment about how many days you have left in office, but I think it goes to the bigger question about the process and how it was that you came to be the interim Parliamentary Budget Officer.

Were you contacted by the Prime Minister or the Prime Minister's office? What did that process look like for you to be appointed as the interim PBO?

• (1200)

Jason Jacques: I'll speak to my own experience. It was very fast and occurred over the Labour Day weekend.

I was contacted by the Prime Minister's Office, and they asked if I would be willing to serve on an interim basis. My immediate response was that I knew someone who was really qualified, who was going to be unemployed on Wednesday, and who would definitely be an incredibly talented interim Parliamentary Budget Officer, and that person was Mr. Yves Giroux.

There was silence on the other end of the phone line from the Prime Minister's Office. At that point, I indicated to the Prime Minister's Office that if I were to take the job to fill in for a set period of time, then I would continue to do everything that Mr. Giroux had been doing up to that point. There would be no change in terms of

the focus on excellence and transparency in the office and the frequency of reporting, and the Prime Minister's Office said that they expected no less.

Yes, definitely, if you receive a phone call on a Saturday night over a long weekend from someone purporting to be from the Prime Minister's Office, it might actually be real. I tell my kids not to take those phone calls, but....

Jeremy Patzer: Do you think there is any opportunity or pathway for you to become the permanent PBO after your 166 days are up?

Jason Jacques: As part of the interim appointment, the understanding I have and what's been explained to me by both the Prime Minister's Office and the Privy Council Office is that at the end of the interim appointment, I will return to my old job in the Parliamentary Budget Office as the director general of economic and fiscal analysis.

The Prime Minister's Office asked me if I would be willing to continue for a full seven-year mandate, and I explained to them that it wasn't up to them. They can propose whomever they want, and it's up to parliamentarians to make the determination regarding who will serve them as their Parliamentary Budget Officer for a seven-year term.

I think the best path.... We'll see who the Prime Minister ultimately decides to nominate and put forward to you for a seven-year term. If the Prime Minister, through his office, asks me to serve, I would certainly be willing to be a candidate, but ultimately it's up to parliamentarians to make that determination.

The position of Parliamentary Budget Officer was created under the Parliament of Canada Act, so it's not a government position; it's a parliamentary position. The office was created to support parliamentarians in their understanding and enhance their understanding of the budget and to support parliamentarians in challenging what the government is bringing forward.

It's really not up to me. I would argue it's not even up to the government, either on the public service side or on the Prime Minister's side. It's up to parliamentarians to determine whether the candidate the Prime Minister wants to bring forward is the candidate they think is best placed to actually support them in their deliberations.

Jeremy Patzer: Do you think the process by which interim PBOs are selected should mirror that by which the permanent PBO is selected? Do you think the process may be flawed, or should it be fixed, after what you've gone through?

To your point, you work for parliamentarians and not for the government. Do you think that without the consultation of parliamentarians, appointing an interim PBO.... I appreciate the work you're doing. I'm not saying this as a slight against you. I'm just talking about the process here. Do you think there should be changes to the process?

Jason Jacques: Yes. The simple answer is that it is ludicrous that you have somebody foisted on you who is selected by the head of the executive branch, and it could have been anybody. Under the legislation, it's a person whom the Prime Minister can appoint, so the Prime Minister could have selected anybody. I don't even think they need to be a Canadian citizen. The Prime Minister could have appointed anybody from around the world with a pulse, without any consultation with parliamentarians.

I happen to think it's a big endorsement that he chose somebody from the office who has worked in the office since 2008 when it was established under Prime Minister Harper, and who has worked with Kevin Page, Jean-Denis Fréchette and Yves Giroux, and with the expanded mandate under former Prime Minister Trudeau. I think it's a great testament to the confidence that the Prime Minister has in the work the office is doing.

There's a big legislative gap, because you could have had anybody in front of you today who doesn't understand the work of the office and who has never dealt with parliamentarians before.

• (1205)

[Translation]

In addition, it could have been someone who wouldn't have been able to communicate with you in French. There is no requirement for bilingualism, and no experience in budget management is required.

[English]

That's a huge gap.

I was told by the chair that I shouldn't ask questions of members of the committee, but I'll ask you this question. I assume that you have input in hiring your own staff. Is that right? In this situation, you didn't. You had somebody else who knows your best interests, who said, "Hi. This is the person who's going to be helping you pull apart budget 2025 and make sense of it."

Yes, from my perspective, it needs to be fixed.

I'm sorry.

The Chair: Thank you very much.

Thank you, Mr. Gaheer.

Does anyone wish to follow up? Otherwise, we'll go to Ms. Jansen and Ms. Gaudreau, and then we'll be done, except for some housekeeping.

Iqwinder Gaheer: No. Our side doesn't have any more questions.

Thank you.

The Chair: Perfect.

We'll go to Mrs. Jansen for five and Ms. Gaudreau for five, and then we'll finish with Mrs. Block.

Please go ahead.

Tamara Jansen: If you don't mind, I'd like to change the channel. I would love to talk about the housing report that you guys put out from your office.

When it comes to housing, the Prime Minister promised warp speed, but it feels like we ended up circling the parking lot. In the election, he promised 500,000 homes a year and told Canadians he would be doubling construction. Your report says the real number is closer to 227,000.

Is that correct?

Jason Jacques: That's correct. Our number is substantially lower, yes.

Tamara Jansen: At this rate, it's a 690,000-home shortfall by 2035. Is that correct? According to your math, we're way off.

Jason Jacques: Actually, it's one of those very unexpected reports in which there was actually good news for the government. Even though we disagreed with the government's findings of needing to build 500,000 homes per year, our conclusion was that it needed to build fewer homes to return to the target, so there's less of a challenge than originally anticipated.

One of the key things we identified was that if you built all of those homes, based on the historical structure of the housing market you would have a vacancy rate north of 10%, so one in every 10 homes would be empty. That would be unprecedented and could arguably result in a situation wherein there's significant downward pressure on housing prices.

Tamara Jansen: Is that coming out of some of the CMHC's reporting about how it's already cutting forecasts? Is that part of your analysis?

Jason Jacques: Yes, we incorporate.... We work closely, I should say. From a technical perspective, we definitely share information with respect to our modelling and the CMHC's modelling.

We have a bit of a difference of opinion. I noticed that nobody from the political side of the government came out when we published our housing report and said, "These numbers are awful." Senior officials from the CMHC came out and said they didn't like our numbers. They disagreed with them for persnickety technical reasons.

We're very aware of what the CMHC is doing and what its numbers look like, and we're in regular contact.

Certainly, at our end, when we publish something, our objective is to enhance transparency, and we're not enhancing transparency if we're not accounting for the numbers the government is publishing in the announcements it's making. If we're publishing something and it's already stale-dated and doesn't incorporate the new directions the government's going in, from our perspective it doesn't serve parliamentarians particularly well.

Tamara Jansen: That's fascinating information. We know that starts are down. Toronto is dropping from 37,000 starts to as low as 23,000, I think, in 2027. Vancouver will be down 26% next year.

Are you saying that this "build big, build bold" is maybe more than we're going to need?

• (1210)

Jason Jacques: That's if they're able to achieve it. The key finding of the paper was that if they were actually able to achieve the 500,000 housing starts per year, we would end up in a very odd place in the housing market, with incredibly high vacancy rates. In terms of the policy objective they're trying to achieve, based upon our modelling, they don't necessarily need to hit such a high target. It's not to say that everything's going to be affordable and people are going to be able to afford the homes they want or that we're going to return affordability to where it was in the 1970s, but in terms of the immediate policy objective identified by the government, potentially, you don't need to be at the 500,000 level.

Tamara Jansen: They could use some of that \$4 billion that they were going to use for their new bureaucracy towards some savings.

Jason Jacques: Or investments in something else.

Tamara Jansen: Okay. There you go.

Jason Jacques: This is why we're waiting for a budget, because a budget gives you those trade-offs.

Tamara Jansen: Excellent. Yes.

I really appreciate your frankness, because it's extremely helpful for us. We are seeing housing starts coming down. I'm hearing it from my own constituents. We were told that we don't want house prices to come down, but if we continue on the path you're suggesting, we may well see that happening.

Okay. Thank you.

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

[Translation]

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

I have two questions.

First, I would like to come back to the new way of showing how the budget is built. As you probably know, this is very similar to what is done in Quebec.

The government has two fundamental missions: to support the economy and, as you have stated several times, to support jobs. However, based on the new way of presenting the figures and having them speak for themselves, as I would say to my daughters, we are now told that there will be a projected \$100-billion deficit. They may surprise us by announcing a \$90-billion deficit and telling us that they have saved money. So be it.

Nonetheless, from that perspective, how can the Canadian government support its two fundamental missions?

Jason Jacques: To my mind, that's the budget's goal. Determining how much money to collect from Canadians is among senators' and MPs' primary responsibilities. The House of Commons must then determine how to spend that considerable sum. It's important to have a budget, so the money is invested to increase economic growth, while ensuring a certain fairness. It's also about supporting and upholding certain important Canadian principles, including environmental and social principles. That's why I've already expressed some impatience about the tabling of a budget. Obviously,

the government has already made a number of spending decisions, but there is no budget or clarity on patterns and structures.

With respect to Quebec and the example of Toronto mentioned by the other member, I completely agree. It is in our interest to identify projects that can provide long-term benefits. In my opinion, it would be incredibly simple for the government to announce that it will adopt a system used by the United Kingdom, for example, which resembles the one in Quebec or Toronto. I recognize that it is beneficial to hold consultations and to hear a number of opinions. At the same time, when we are acting very quickly, it is much easier to simply announce, for example, that we are going to adopt the way Toronto, or Quebec, manages their budget and communicates with people. It's clear and simple.

In the future, it might be beneficial to implement a few small changes, given some of the idiosyncrasies that exist in the federal government. But why not start with something clear and simple whose benefits have already been demonstrated?

• (1215)

Marie-Hélène Gaudreau: Since we're talking about simplicity, I'll ask my last question, which is also simple.

You announced the tabling of the report on Thursday. I now know what I'll be doing next weekend. This will be my first analysis, and I would like your advice as a financial analysis specialist.

What should I analyze, understand, or try to identify in the report that will be tabled on Thursday?

Jason Jacques: Each economic and financial outlook report contains, in the first few pages, two tables showing forecasts for the next five years for economic growth and government deficits, respectively. I'll begin with those two topics.

Then, towards the end of the document, there are details about households, businesses, and all sectors of the economy, as well as our forecasts. The details are important. For most people, a simple forecast of 1% growth is not very high and is rather abstract. However, to better understand, it is important to look in detail at what has happened in businesses and households, and the level of debt people have. With such details, we have a better understanding of what has happened in Canadian communities.

Marie-Hélène Gaudreau: Mr. Chair, thank you for granting me a few extra moments.

[English]

The Chair: Thanks very much.

We'll go to Mrs. Block for five minutes.

Kelly Block: Thank you, Mr. Chair.

I want to circle back to some of the questions my colleague was asking about the projections set out in your report with regard to housing stock. You've indicated that they don't need to build 500,000 new homes in order to close the gap. Your number is quite a bit lower: 227,000 that could be built.

Do you think they're going to be able to achieve that, given what's happening across the country with housing starts?

Jason Jacques: The short answer to the question is that we don't know.

The most recent announcement on housing was made on Sunday. Yesterday morning, when the office opened up at 7:45, we drafted an information request to the government to ask it for details on exactly how it's planning to spend that \$13 billion to transform the housing market. As soon as we have details with regard to how it's planning to do it, then we will be in a much better position to assess what it looks like. As soon as we hear something back, I'll endeavour to get back to you to give you an update on that.

Kelly Block: We would appreciate that.

Your office references "units" as its model for housing, but I have some questions about what "units" means. Do the units also count for varying space, variety and the needs of families?

Jason Jacques: I would have to get back to you on that in terms of the definition of "units". I think I know the answer to that, but it would be better for everybody if I got back to you with a precise definition on that one.

Kelly Block: My concern is that there is a way for the government to ensure that families will be able to afford homes that actually meet the need and size of a family. We see a lot of multi-family dwellings being built. Rather than a one-size-fits-all approach to housing units, we're looking to see whether the needs of families will be taken into consideration.

• (1220)

Jason Jacques: That's something we pointed out in previous reports: that the housing being created isn't necessarily affordable housing as defined by CMHC, based upon the government's own definition. That's definitely a concern.

I would note, based upon Sunday's announcement—don't believe everything you read in press releases—that there seemed to be a focus on affordable housing and social housing. Again, I'm not a press-release guy; I'm a numbers guy. Until we receive the numbers from the government and details with regard to how it's planning to spend the money and to organize itself, I'm not in a good position to comment on it.

Kelly Block: Thank you very much.

The Chair: I mentioned that we were going to finish up here, but Mr. Patzer has expressed interest.

Does anyone on this side wish to intervene? Otherwise, we'll skip right to Mr. Patzer.

Go ahead, Mr. Patzer. I think you're sharing your time with Mr. Gill for a question.

Jeremy Patzer: You betcha. Thank you very much.

Building off that, do you have any projections for the next five years for housing? Is housing going to decline? What are we looking at here?

Jason Jacques: We will also have a housing forecast as part of our economic and fiscal outlook, which will be tabled next Thursday. Without giving you precise numbers, we do have a slowdown

in the housing market. In the housing market over the next 24 months or so, we think a slowdown will happen on a national basis. For the precise details, stay tuned until next Thursday at 9 a.m.

Jeremy Patzer: Will those details include the factors that are leading to the decline?

Jason Jacques: It won't focus exclusively on housing, but what you will see in housing are the traditional factors that one would expect at this point.

Obviously, there's a supply-side story of the number of homes that you can actually get at this point. There are obviously constraints on that side that the government seems to recognize and seems to be moving on. On the demand side, you have the traditional factor of interest rates: How easy is it to get a mortgage, and how much do those mortgages cost? Then there's the labour market: Do you have a job, so that when you go into the bank you actually have a T4 slip or a letter from your employer that says, "This person has this amount of money"?

It will incorporate those things, and we will certainly be able to speak to them.

Jeremy Patzer: I have one last quick question for you here before I pass it on to my colleague.

Briefly, did the government ever contact or consult with the PBO before moving forward with their emissions cap or production cap? Did they contact your office before implementing it?

Jason Jacques: Similar to other reports, again, we were in contact with the technical experts in various government departments with respect to the modelling that they do.

In terms of contacting us in advance and going forward and consulting with us, I'd have to check. It would be exceptional were that the case. The government typically doesn't consult us. They usually know what our opinion is going to be, and they're usually not interested, but I'll check on that and get back to you.

Again, there's the government and then there are the non-partisan technical experts in the public service. It's all the same geeky people who have studied the same things and then engage in the same types of modelling or use the same calculators. We're always talking. There are only 36 of us, and there are 360,000 of them, so we're always consulting with them to say, "Oh, well, this is how we're planning on doing it. Should we round in one direction or another?" There's that type of technical consultation.

Jeremy Patzer: Thank you very much. I'll pass my time to Mr. Gill.

The Chair: Thanks, Mr. Patzer.

Mr. Jacques, don't feel bad. They don't consult with me either on these things.

Mr. Gill, go ahead, please. Welcome to OGGO.

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

Thank you for being here, Mr. Jacques.

You touched on quite a few points that are of interest to me, like uncertainty, stability, continuity and the fact that we won't be going back to what we had with the U.S. before the second term of Mr. Trump.

The issue I have is that we have a very high unemployment rate, close to 11%, so you're right; it sucks over there. There's very high youth unemployment as well. Where do we go from here if the U.S. is not available to us?

Secondly, are we truly a transparent nation when it comes to sharing our fiscal issues in terms of whether we are responsible and accountable? Are we truly transparent, so that we give folks out there confidence to come here and invest, or is that one of the reasons a lot of capital is leaving our country and going south of the border?

Thank you, sir.

● (1225)

Jason Jacques: In terms of the policy question on where we go, again, I'm the interim Parliamentary Budget Officer, not the interim parliamentary policy officer. That said, to go back to the seminal work by the Prime Minister when he was the associate deputy minister of finance in 2005, one key aspect that he highlighted in that microeconomic framework was the idea that you needed to build other trading relationships. Whether it's purely open trade, you need to find other markets where people want to buy our goods or benefit from buying our goods and services. I think you see that happening right now. The government's been very.... Even beyond the current government, if you roll back the clock over the past 20 years, there's been a really strong emphasis on building, signing and negotiating those other trade relationships.

In terms of fiscal issues and transparency, I'll say this on the record. I think Canada has "high-class problems" when it comes to fiscal transparency. That's not to say that you can do away with the parliamentary budget office, because that's one reason that we have high-class problems as opposed to more severe problems. I would say that, when you look at other jurisdictions, we're actually a lot further ahead. It's relative. Things are tight. There's definitely room for improvement. We're not France. I don't know whether anybody else has been following what's been happening with French 10-year bonds over the past two weeks. That's not here.

To go back to a point I made earlier with respect to the ratings agencies and the quantitative versus qualitative elements, there's still a fair amount of qualitative confidence in the way that we manage. It's not to say that things are good and are going to automatically get better. At the same time, over the past.... Since I've been working, Canada has demonstrated a remarkable ability to reinvent itself during recessions. Canadians and entrepreneurs have demonstrated their willingness to pick themselves up off the floor, deal with shocks, retool and re-engineer their businesses, cut back, hire more people and reorient themselves. I don't know, but on my end, I'm confident.

Regardless of the rupture—and again, to go back to the basic framework of the Canadian economy—it's people. That's one, and then it's how they're organized. We have the same people, the exact same talented, intrepid individuals. It's a question of, "Well, we are

organized in one way—to sell, primarily, and be integrated with the U.S.—and now we need to organize ourselves in another way." The question, in budget 2025, is this: How is that reorganization going to be supported?

The Chair: Thank you very much.

Colleagues, I'm going to exercise the chair's prerogative and ask a few questions myself, if you don't mind.

I have just a couple of quick questions, Mr. Jacques. First of all, thank you very much for your answers here today.

Is the PBO under the 15% cut directive, for lack of better words?

Jason Jacques: No, we are not. We were exempted from the government's comprehensive expenditure review. I would say that, shortly after I was appointed, during one of the first all-staff meetings that we held, shortly after we had a discussion about the 100,000 job losses across the economy over the course of the summer, there was a feeling that we actually should be doing more. That's why we decided to voluntarily offer up a 5% cut to our budget, starting in 2026-27—the year ahead—and on an ongoing basis. That's going to be immediate.

As part of that, there's also going to be a fairly significant down payment from the people who can afford it most, and they're the executives at the top. The position of the Parliamentary Budget Officer, interim or otherwise, will have a \$50,000 reduction in its salary, starting immediately.

● (1230)

The Chair: Is it for you, by you, your executive, or is this all on you?

Jason Jacques: That's all on me.

The Chair: That's remarkable.

Jason Jacques: In comparison to where we were, even six or eight months ago, the context has changed. I take the Prime Minister at his word that it's going to require sacrifices from all of us. I'd say, certainly on my end, that I'm in an incredibly privileged situation in which I can take a \$50,000 pay cut, and hopefully it offsets some of the operating deficit. The 100,000 people who were laid off over the course of the summer have less say, and potentially, for a lot of them, they don't have \$50,000 that they can kick into the consolidated revenue fund, the government's coffers, to offset the deficit.

The Chair: Thank you for that.

You mentioned that you met with Finance regarding the budget. Whom did you meet with? You mentioned it was a short meeting. What was the general gist of the meeting?

Jason Jacques: We met with Department of Finance officials, and the focus of the meeting was their ideas around the capital and operating budget definitions. Some people may recall that the Liberal Party of Canada's platform indicated that they would be consulting with the parliamentary budget office and that our organization would play a role in evaluating or assessing the new definitions. That was part of the consultation. It was squarely focused on that.

The Chair: Do you get the sense that there will be a separate appendix, like we have for other matters within the budget, better explaining the capital and operating breakdown?

Jason Jacques: I don't know. It wasn't a presentation. It was still relatively early days. They indicated that they were in the midst of consulting with others. I don't know where they're ultimately going to end up.

We provided feedback to them, consistent with the observations I made today. One observation I made was that it might be easier to use the approach of the U.K. They could also take Toronto's or Quebec's. Another was that when you're redefining terms that parliamentarians haven't seen, it has the potential to create additional uncertainty, because people haven't seen them previously. There's also the importance of having a fiscal anchor.

Based on what's currently being considered, regardless of how you split the funding allocations and what buckets you put them into, the most important aspect is whether the nation's finances are sustainable. Those are the considerations that we highlighted to them.

The Chair: I have two quick final questions, and then I'll let you return to your day.

You mentioned that you meet with the rating agencies often. Have they expressed concerns at all about the change in the budget, transparency issues around that or a lack of a fiscal anchor?

Jason Jacques: I wouldn't say they have concerns, but they have questions. Everyone has questions. Again, it's an odd context for everybody right now. In some situations, it's more so in the case of Canada, because of the timing around the election.

They have questions. I definitely wouldn't characterize them as concerns.

Everyone knows what the ratings agencies are, so you can definitely invite them in, read their material and ask them questions about how they feel about it.

The Chair: I'm on to my very last question.

We've seen a back-and-forth about the 15% and reorganization among FTEs in the public service. I think the Prime Minister just went back to saying that attrition is how they will find cuts.

Is there a concern about that? If it's based on attrition, we could end up with.... We're looking to try to grow the RCMP, but we've put a cap on hiring and there's a disproportionate number of retirees from that department, or the CBSA or defence procurement. Is there a concern that we're going to be basing this on attrition with a cap that could actually hurt services and the ability of the government to operate?

• (1235)

Jason Jacques: The more constraints you put on changing government operations, the harder it is to implement and the greater the likelihood is that there are unexpected outcomes. In the case of attrition, based on what you described, that's certainly a possibility.

I would say more broadly, because there have also been statements about looking at lower-priority areas or less efficient areas, that attrition is potentially part of that. I don't know, but that approach is typically.... When you look at other jurisdictions, that's what they encourage you to focus on.

I know everybody's read the Prime Minister's mandate letter with the seven priorities. He's been very clear that he expects the entire public service to be focusing on those priorities, and if you're not part of those priorities, you'd better figure out how you're going to be contributing to them. Typically, that's a better way of going about things. It's an easier way of going about things, especially if you want to implement a lot of change across government in a very short period of time.

The Chair: Thank you for your time with us. We will excuse you, although I think the members will probably want to chat with you afterwards.

We're going to just be two quick minutes, everyone.

On Thursday, we're having a subcommittee meeting, and then we're going to plan out our future meetings from that. We don't have anything set for Tuesday and Thursday next week. The subcommittee will decide a way forward, but we won't be able to get witnesses or a study plan that fast, so I'm seeking everyone's permission to leave it with me and the clerk to fill in next week. I'm thinking of the Auditor General. She has emailed all of us with information about three of her most recent study reports that overlap with OGGO's, so I'm thinking of bringing her in. We may also have a briefing from the Public Service Integrity Commissioner, who ostensibly reports to OGGO. We were trying to get her before, but she's been away. Perhaps we could invite the procurement ombudsman for an update, and others who are related to OGGO.

If everyone is fine with that, we'll go ahead for next Tuesday and Thursday.

Some hon. members: Agreed.

The Chair: The clerk has mailed out to everyone the two standing orders that were left over from the last meeting. One is that when we bring in a minister, we bring in their chief financial officer as a go-to. The other is that when we ask for documents from the departments, it has been the standard in the committee in the past that we require them to return the items to us within 21 days. We're just looking for agreement to continue that. It went out to everyone's P9 a few days ago. If we're fine with that, we will consider that done.

Some hon. members: Agreed.

The Chair: Wonderful.

If there is nothing else, we will be adjourned.

Mr. Jacques, thank you again.

Thanks, everyone.

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