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Chair: Mr. Kelly McCauley





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• (1650)

[English]

**The Chair (Mr. Kelly McCauley (Edmonton West, CPC)):** I call this meeting to order. Good afternoon, colleagues.

Welcome to meeting number 72 of the House of Commons Standing Committee on Government Operations and Estimates, also known as the mighty OGGO, the only committee that matters.

Pursuant to the order of reference adopted by the House of Commons on Monday, May 29, 2023, the committee is meeting on its study of the supplementary estimates (A), 2023-24, and vote 1a under the Department of Public Works and Government Services.

Before we introduce our guests, colleagues, I have a special request from our interpreters regarding our headphones: Please keep them away from the microphones. It's causing bad feedback. Please do not drop them or do what a lot of us do when we're bored, which is spin them around. Please just be advised of these issues that are being caused for our valued translators. Thank you, colleagues.

We welcome back our Parliamentary Budget Officer, Mr. Yves Giroux, who is an honorary member of OGGO. We thank him for joining us, along with Ms. Vanderwees, our estimates expert.

Mr. Giroux, do you have an opening statement for us?

**Mr. Yves Giroux (Parliamentary Budget Officer, Office of the Parliamentary Budget Officer):** I do, Mr. Chair.

Good afternoon, Mr. Chair and members of the committee. Thank you for the invitation to appear before you today. We are pleased to be here to discuss our report on the supplementary estimates (A), 2023-24, which was published on May 30, 2023. With me today is our lead analyst on estimates and on the report, Kaitlyn Vanderwees.

The government's supplementary estimates (A) for 2023-24 outline \$21.9 billion in incremental spending. Parliament's approval is required for \$20.5 billion. Statutory authorities, for which the government has Parliament's approval to spend via other legislation, are forecast to increase by a total of \$1.4 billion.

Roughly one-fifth, or \$4.4 billion, of spending is for 15 budget 2023 measures. Most notably, this includes \$2.5 billion to the Department of Health to improve health care for Canadians.

[Translation]

More than half of the proposed spending in these supplementary estimates, roughly \$13 billion, relates to the negotiation and resolution of indigenous claims.

Including these supplementary estimates, the total proposed year-to-date budgetary authorities are \$454.8 billion, which represents a \$11.5 billion, or 2.6 per cent, increase compared with the estimates to date for the preceding year. This is generally consistent with the spending growth forecast in budget 2023.

To support parliamentarians in their scrutiny of budget 2023 implementation, we have prepared and published tracking tables that list all budget initiatives, the planned spending amounts and the corresponding legislative funding authority. These tables are available on our website and will be updated over the course of the year as the Government brings forward its legislative agenda.

Ms. Vanderwees and I would be pleased to respond to any questions you may have regarding our estimates analysis or other work by the Office of the Parliamentary Budget Officer.

[English]

**The Chair:** Thank you, Mr. Giroux.

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

**Mr. Adam Chambers (Simcoe North, CPC):** Thank you, Chair.

Welcome back, Mr. Giroux and Ms. Vanderwees. It's always good to have you at the committee. We appreciate the work your office does to support parliamentarians. I know that those of us who do not have large departments or staff rely on your work on a regular basis. It's of very high quality.

You mentioned that in the supplementary estimates.... I know that we're spending more per year on debt servicing costs than we have in the past—almost double, in fact. I'm a little nervous about the projections the government has for debt servicing costs, because there was a surprise interest rate increase announcement last week. I believe the government's projections are that rates were supposed to have come down by the end of the year. I haven't been able to find the average interest rate that the government expects to roll over or issue its debt at for this year coming up.

Have you considered or are you tracking the debt service costs? It's now one of the largest components of the spending line.

**Mr. Yves Giroux:** It is indeed one item of expenditures that we are closely tracking, because it obviously matches interest rate variations very closely. The Bank of Canada recently increased its interest rate once again, and this will quite obviously have an upward impact on the debt servicing costs. However, that impact will not be immediate—well, some of it will be immediate, because the government finances itself through treasury bills, but also bonds, which have various lengths of maturity.

We will be following the impact on debt servicing costs closely, but we expect this to have an upward impact on debt servicing costs compared with what was laid out in the budget. I don't think people anticipated that the bank would increase its rate to what it is right now.

**Mr. Adam Chambers:** Do you recall what the debt servicing cost is for this year?

**Mr. Yves Giroux:** I don't, off the top of my head. It's in the vicinity of \$43 billion, I think.

**Mr. Adam Chambers:** That's right. I want to thank you for answering that question. Sometimes it's very hard to get answers to factual questions like that. I appreciate it.

It's about \$43.9 billion, which is quite close to what we're transferring to the provinces for health care this year. That expenditure.... Any upward revision is going to make it harder to pay for some social programs, I think.

I want to turn now to some of your other work on everybody's favourite topic: carbon pricing.

You did the fuel charge distributional analysis. You also did the clean fuel standard distributional analysis. I want to get some impacts on the price per litre when it's fully implemented.

We're calling the federal carbon charge the “fuel charge.” How much will that be per litre when it's fully implemented?

**Mr. Yves Giroux:** I think the estimate at this time is that by 2030, when the carbon tax price per tonne amounts to \$170, it will be about 40 cents per litre. I think 41 cents is the number.

**Mr. Adam Chambers:** The clean fuel standard—is that about 17 cents a litre?

**Mr. Yves Giroux:** Yes. Based on the government's own estimates, it should be about 17 cents per litre for gasoline and 16 cents per litre for diesel.

**Mr. Adam Chambers:** If you take those two together and we apply HST—which is what happens at the end of the bill—it's about 61 cents per litre. Is that around right, if you're in Ontario?

• (1655)

**Mr. Yves Giroux:** It's in the order of magnitude. I wouldn't add them together, personally. There could be some interaction impacts between clean fuel regulations and the carbon tax, but the number you mentioned would be quite close.

**Mr. Adam Chambers:** Think about Ontario for a moment, where I'm from. In terms of the cost to an average family, the net cost for the carbon charge, once fully implemented, will be about \$1,820. Does that sound about right?

**Mr. Yves Giroux:** Yes.

**Mr. Adam Chambers:** Okay.

The clean fuel standard net cost, once fully implemented, will be about \$495.

**Mr. Yves Giroux:** Yes.

**Mr. Adam Chambers:** Okay. The total will be just over \$2,300 once they're fully implemented.

**Mr. Yves Giroux:** Yes. For an average household in Ontario, that sounds about right.

**Mr. Adam Chambers:** Thank you very much.

We spend a fair bit of time arguing about regulation versus carbon pricing and other actions the government can take. Most governments are doing either a carbon price or regulations. Our government has chosen to do both.

How should we think about the impact these measures are going to have on emissions?

**Mr. Yves Giroux:** Well, that's a good question.

When we look at the clean fuel regulations, they're expected, by the government's own estimate, to reduce emissions by 26 million tonnes of CO<sub>2</sub> equivalent in 2030. That's the stated impact, based on the government's own estimate. The carbon tax itself will also have an impact. I don't remember, off the top of my head, the exact number.

The point is that whether it's a carbon tax or regulations, both have a cost. It's a matter of how obvious and transparent the cost is.

**Mr. Adam Chambers:** Thank you, Mr. Chair.

**The Chair:** Thank you, Mr. Chambers.

Mr. Housefather, go ahead, please, for six minutes.

**Mr. Anthony Housefather (Mount Royal, Lib.):** Thank you, Mr. Chair.

Thank you very much to Mr. Giroux for being here.

I want to get a better understanding of the difference between the federal government and provinces. The public sector, for example, has grown considerably. We've heard a lot about it in our committee recently in the last couple of years.

Can you please compare this growth of federal and provincial governments? Has the personnel of provincial governments grown to a similar extent during COVID in recent years?

**Mr. Yves Giroux:** It's an interesting question. Unfortunately, I don't have an answer to that question, because my analysis focused on—as it generally does—the federal government. I haven't looked at provinces specifically over that period of time.

**Mr. Anthony Housefather:** I totally understand. Of course it's not your job. I just thought, given how much you know, that you might know this too.

Let me ask about something you're more familiar with: the complexity of financial statements.

The federal government has very complex public accounts. The provinces' public accounts, I would imagine, have much less complexity. They're much shorter in some cases, and they have fewer Crown corporations and agencies.

Would it be fair to say that the federal financial statements are far more complex than the financial statements for most Canadian provinces? When we're comparing one to another, they are very different.

**Mr. Yves Giroux:** That's probably a fair statement; however, I would say that when you compare provinces with the federal government, there are a lot of organizations at the federal level, but there are also quite a lot of organizations at the provincial level—school boards, health care organizations—that can be decentralized in many jurisdictions.

It's true that the overall amounts at stake are much lower in most provinces, but to say that this necessarily means that the financial affairs of a province are simpler is probably a stretch that I'm not willing to make. I would rely more on accountants who have worked in both areas to make that determination more clearly or with a higher level of assurance.

**Mr. Anthony Housefather:** Again, that's fair enough. I was just looking at a statistic that says the public accounts for the federal government are 2,500 pages, and in the provinces the average is about 435. I was just thinking that they would be more complicated, but let me come back to you.

The reason I wanted to do that as a precursor is that we talked a lot in previous years about the time the departmental plans are tabled and the time that financial statements are tabled. As I understand it, since 2015-16, departmental plans have been tabled on time, no later than March 10, aside from one year in 2018-19, when we had a pilot project. Is tabling the departmental plans in March something that assists you in doing your job? Is that something that is helpful in allowing you and parliamentarians to do scrutiny on the main estimates?

• (1700)

**Mr. Yves Giroux:** It does help to have departmental plans tabled as early as possible so that parliamentarians and Canadians who are interested can have a better sense of the priorities going forward of the various organizations of the federal government, including departments. It allows them to have a better sense of the priorities going forward. Yes, it helps me and my office in doing our work, as well as many committees of the House and of the Senate.

**Mr. Anthony Housefather:** My time is probably coming up, so for my last question, I know that I've been a parliamentarian only since 2015, but I understand as well that the financial data we've seen since 2015 is more than the financial data that was previously part of the departmental plans. Can you advise? Is that something that has been useful? Has that helped you to do your job?

**Mr. Yves Giroux:** It's clear that the more details we have as a budget office, the better it is for us to assist you as parliamentarians in your responsibility to hold the government to account and in answering your questions. Yes, having more details and more information definitely helps.

**Mr. Anthony Housefather:** Thanks.

Mr. Chair, I'm guessing that's six minutes.

**The Chair:** No. You actually have about a minute left, Mr. Housefather. I can save the clock if you wish.

**Mr. Anthony Housefather:** I'll just use that time to thank Mr. Giroux. I'm willing to yield my extra time.

Thank you so much, sir.

**The Chair:** Thanks, Mr. Housefather.

We have Ms. Vignola, please, for six minutes.

[*Translation*]

**Mrs. Julie Vignola (Beauport—Limoilou, BQ):** Thank you very much, Mr. Chair.

Mr. Giroux and Ms. Vanderwees, thank you very much for being with us.

I'm very interested in the tables in your reports. They are clear and specific. Should the government use equally understandable tables in its own reports? I'm talking here about reports that can be understood by people with basic mathematical knowledge.

**Mr. Yves Giroux:** I think that providing information that's clear and easy to understand is always a plus for an organization that prepares these reports because it helps readers better understand them. So my answer to your question is yes.

**Mrs. Julie Vignola:** Thank you. Sometimes the information provided is “confusing”, a term that my children use. There's a series of information points but no summary.

On another note, I noticed in supplementary estimates (A), 2023-24 that an amount of \$463 million was authorized for the acquisition of an emerging COVID-19 treatment; \$463 million definitely isn't a large amount compared to this multi-billion-dollar budget. I felt a jolt when I read the words "emerging treatment" and inquired into the number of people who were still dying from COVID-19. Now one death is one death too many, but 33 people are dying from it every week. That's the same as the number of deaths caused by traffic accidents and nearly three times that of deaths caused by influenza.

Have you had a chance to question the government about this amount? What could justify it? The pandemic seems to be behind us, although we still need to be careful.

**Mr. Yves Giroux:** We don't have that information. We didn't focus on those details in the supplementary estimates. The Minister of Health might have a more satisfactory answer for you than mine. Perhaps.

**Mrs. Julie Vignola:** Thank you.

This morning, you released the report on the \$16.3 billion investment in the Volkswagen plant in St. Thomas, Ontario.

How many jobs will the government create with that investment? Is your memory better than mine?

**Mr. Yves Giroux:** According to the public commitments that were announced, the government will create 3,000 direct jobs in the manufacturing of electric vehicle batteries.

• (1705)

**Mrs. Julie Vignola:** So if I do quick calculation, that represents an investment of approximately \$11 million per job.

**Mr. Yves Giroux:** My calculation is slightly different. If you believe the figures, I'd say instead that it represents approximately \$5 million per job.

**Mrs. Julie Vignola:** You say \$5 million per job. Is the impact on direct, indirect and induced employment worth the investment?

**Mr. Yves Giroux:** We haven't done that analysis yet. We wanted to provide an analysis based on the information disclosed to parliamentarians this morning, before the House completes its business for the summer, rather than take the time to conduct a comprehensive analysis and release it when members are no longer sitting.

We also had to take into account the confidential nature of the information contained in many of the documents we had received. We didn't want to break the rules.

So the economic impact analysis hasn't been completed yet, but we'll continue it in the coming weeks and months.

On the other hand, given the multiplier effect that we usually see in projects of this kind, it remains to be determined what assumptions the government could have proposed to claim or say that the investment or spending amounts would pay for themselves in five years, for example. That seems optimistic to me.

**Mrs. Julie Vignola:** All right.

As you said earlier, the government is seeking an additional \$20.5 billion in the supplementary estimates. How does that re-

quest compare to those made in previous years, even before the pandemic?

**Ms. Kaitlyn Vanderwees (Analyst, Office of the Parliamentary Budget Officer):** Thank you for your question. I'm going to answer it in English.

[English]

We could find the statistics for a budget implementation for previous years. It would not be a reliable comparison due to the difference in the timing of the budget and the supplementary estimates, in addition to the pilot project undertaken by the government in 2018 and 2019. That being said, we can compare it to last year.

Last year, in the supplementary estimates (A), there was less than 20% of the spending for budget 2022 measures for that fiscal year in the supplementary estimates (A). That suggests that the budget 2023 items are a bit more advanced at the time of the budget or that the government feels the need to proceed with implementation of budget items more quickly this year than in the previous year.

**The Chair:** Thank you very much.

Mr. Johns, please go ahead.

**Mr. Gord Johns (Courtenay—Alberni, NDP):** I'm really glad that my colleagues have brought up the carbon tax. I have some comments and some questions that maybe you can help me with.

At \$170 per tonne, can you tell me what percentage of households would get a rebate on that?

**Mr. Yves Giroux:** My understanding is that all households will get a rebate. That's how the system is designed. The issue is whether they will get a rebate that exceeds what they have paid in carbon tax, whether directly or indirectly. My understanding is that it varies by province, but the majority of households will get more in rebate than what they pay in carbon tax, either directly or indirectly.

**Mr. Gord Johns:** I believe it was 80% in Nova Scotia.

The two out of 10 households that aren't going to get it are higher-income earners. They can afford to buy a hybrid or put in a heat pump. That's the idea, right?

**Mr. Yves Giroux:** Yes.

**Mr. Gord Johns:** I wanted to clarify, because sometimes we wonder who is fighting for the two out of 10 and who is fighting for the eight out of 10. I'd say that I'm arguing to fight for the eight out of 10 to make sure they're not picking up the tab.

I'm going to read this quote from Andrew Coyne in The Globe and Mail. He made a comment about your report, and I appreciate your report. He writes:

The alternative to the carbon tax is not nothing, but something else—subsidies and regulations. And the cost of these, as every study shows—costs that are paid not by “the economy” or “the big polluters” but by households—is multiple times that of carbon pricing. More to the point, under the alternatives, there are no rebates. Not only are the costs greater than under a carbon tax, but 100 per cent of them fall on households. The rebates are zero.

Can you comment on that?

• (1710)

**Mr. Yves Giroux:** I think that's probably a fair assessment. One example was also the subject of one of our reports: the clean fuel regulations, which impose obligations on producers and importers. They impose obligations, which have costs, but there is obviously no rebate provided to anybody, because the costs are borne by the producers and importers and are passed on to the final consumers.

**Mr. Gord Johns:** Right, so, the eight out of 10 would have picked up the tab, really, more likely than not, in that scenario.

In terms of the costing of climate emergencies, I know you did some costing years back and you've done it again since. In terms of doing nothing, have you looked at what it would cost for every half-degree increase in global temperature in terms of climate emergencies and the cost to everyday Canadians versus the current mechanism that we have?

**Mr. Yves Giroux:** We have not costed doing nothing. We have tried to estimate the impact of climate change on the Canadian economy in two scenarios. One is stated policies, under which everybody across the world does what they've promised to do and does it on time. Another scenario is that countries do what they have done so far and nothing more. We find that the impact on the economy is—no surprise—greater in the scenario in which we do what's currently implemented and nothing more. That estimate has big caveats, because it's one of the first attempts at estimating the cost of climate change. It does not factor in potential tipping points where exceptional climate events would become even more frequent, and the cost of these exceptional events.

It's very much a first attempt at costing climate change. It has numbers, but again, it's still something that is in its infancy.

**Mr. Gord Johns:** Yes, I think there was a report in 2013 or 2014 projecting the costs of climate emergencies. We've far exceeded what even your office has projected.

Have you considered looking at offloading the subsidies and regulations, should there be no carbon tax, onto everyday people? Have you looked at what that would cost per household versus what they would get back? That way, we would have a true idea of those eight in 10 Canadians who are going to get a return and, if we remove that mechanism, what it would actually cost those eight in 10 Canadians. I think that's a fair analysis to do, right?

I'll start with that.

**Mr. Yves Giroux:** That's quite a start.

No, we have not looked at such a scenario. We tend to cost issues or items that are being considered or being implemented. There is a wide variety of alternative scenarios that we could cost, but as you can imagine, when it comes to costing the impacts of climate change or various types of regulations or taxes, it tends to become

complex pretty quickly. We have to limit ourselves to either the most likely scenario or what is before Parliament.

**Mr. Gord Johns:** Yes, I think there's the do-nothing fantasy land of the subsidies and regulations, which are going to be on everyday Canadians, or the current model, which is that eight in 10 Canadians get it back and the two out of 10 Canadians who can afford it are the ones who pay—and they should pay a little more, because they can afford to.

**Mr. Yves Giroux:** There's also a scenario in which we don't have to do that much. We just have to implement new technologies that will take off.

**Mr. Gord Johns:** Right, the two in 10 who buy the hybrid—

**The Chair:** That is our time, I'm afraid, Mr. Johns, until the next round.

Mr. Deltell, you have five minutes.

**Mr. Gérard Deltell (Louis-Saint-Laurent, CPC):** Thank you so much, Mr. Chair. It's a real pleasure for me to see you back, especially at this job as the chair of this committee.

[*Translation*]

Good afternoon, Mr. Giroux.

As I told you earlier, it's a real pleasure for me to see you again. We read you and quote you often. We're very happy with the work you do, which is neutral, objective and based on facts and figures. As we often say, figures are stubborn things.

The last time you testified before this committee was a little more than a month ago, on May 8. The least we can say is that you and your team are prolific. You regularly publish reports, including the one you released on May 18 last, entitled, “A Distributional Analysis of the Clean Fuel Regulations”. Obviously, it directly concerns the problem of climate change, which we're all facing, and the steps we must take to combat it.

First, let's get one thing clear: climate change is real; it's having an impact on our everyday lives; human beings are contributing to it; and human beings must therefore help reduce the impact of climate change by reducing pollution here in Canada, of course, but also around the world. Some countries have adopted different approaches from those of our government. This one has introduced carbon pricing, which we call a carbon tax, and has adopted a new approach, that of the Clean Fuel Regulations.

I'm from Quebec. We know that the National Assembly adopted the carbon trading system. We also know that, under the act that the federal government passed a few years ago, the federal government acquired the authority to impose a carbon price on the provinces, including Quebec. Each province may have its own system, but the price is dictated exclusively by the federal government.

Considering these basic facts, according to your report, what will be the average impact of this second tax under the Clean Fuels Regulations on Quebec families?

• (1715)

**Mr. Yves Giroux:** In Quebec, in 2030, when the Clean Fuels Regulations will be fully in force, we estimate that the average impact on every family in Quebec will be a net cost of approximately \$436 a year.

**Mr. Gérard Deltell:** If I understand you correctly, people have to pay \$436 more than what they're paying now.

**Mr. Yves Giroux:** Yes, because that applies in addition to the carbon tax and regulations or mechanisms that the provinces, Quebec and British Columbia, in particular, have decided to implement to reduce greenhouse gases and that are different from the federal carbon pricing scheme.

**Mr. Gérard Deltell:** The government could decide, as it intends to do, to tax this second tax. Have you assessed the impact that this would have on the \$436? If not, will this mean a tax on the tax that will have to be added to that \$436?

**Mr. Yves Giroux:** Are you referring to the GST?

**Mr. Gérard Deltell:** Yes, that's it.

**Mr. Yves Giroux:** I think that would be added to the tax, but it's 5%. So it's not an enormous amount compared to \$436. However, it also includes the economic impact that families and households will have to bear.

**Mr. Gérard Deltell:** What do you mean by "economic impact"?

**Mr. Yves Giroux:** For example, that includes the reduction of certain economic activities which will be induced by an increase in the cost of fuels, which is hard to avoid when you significantly raise the price of inputs as important as gasoline and diesel.

**Mr. Gérard Deltell:** So that would also include the food we eat, which is transported from the farm to the supermarket and from the supermarket to our homes, for example. The second carbon tax will apply to that and will thus have a direct impact on families.

**Mr. Yves Giroux:** Yes, exactly. We took that into account in our estimate.

**Mr. Gérard Deltell:** Have you assessed the impact of this second tax on the price per litre of gasoline at the pump?

**Mr. Yves Giroux:** We haven't assessed it ourselves. The government did it and provided us with the data. The government has arrived at estimates of around \$0.17 per litre for gasoline and \$0.16 per litre of diesel, once again, in 2030, when the Clean Fuels Regulations will be fully in force.

**Mr. Gérard Deltell:** That additional \$0.17 per litre consumed will be added to the first carbon tax, won't it?

**Mr. Yves Giroux:** Yes, that's correct, in the provinces and territories where the carbon tax applies.

**Mr. Gérard Deltell:** However, from the moment the carbon price per tonne is set by the federal government, it's all the same whether or not you have a carbon trading system as is the case in Quebec.

**Mr. Yves Giroux:** The reason why the federal carbon pricing scheme doesn't apply in certain provinces, such as Quebec and

British Columbia, is that the federal government views their schemes as equivalent to its own. So you may logically conclude that the impact on the gas price will be roughly the same. It may not be exactly the same, but it will be roughly the same so that the federal scheme is comparable to that of those provinces.

**Mr. Gérard Deltell:** As you know, if a province—

[English]

**The Chair:** Thank you very much, gentlemen. That is your time.

Go ahead, Ms. Thompson, please.

**Ms. Joanne Thompson (St. John's East, Lib.):** Thank you, and welcome back to committee.

I'm going to circle back to something that we spoke about the last time you appeared, and it's part of the conversation today. Certainly there's a cost to the Canadian economy from climate change, and earlier today it was referenced as an exceptional event, but I would argue that it's probably very much a regular event.

A CBC article said that the B.C. fires to date have cost \$100 million, and that's before fire season begins. I'm not using this as an accurate amount, but we know it's a significant number whether it's that number or not, and that's just one place where fire has raged in our country.

We certainly have referenced the impact of Hurricane Fiona, which we are still trying to work through in the Atlantic region. There were floods in the past, and significant events with huge costs attached to them.

How is that cost captured? Are the costs captured in a way that's associated with the impact of climate change on our finances and the economy?

• (1720)

**Mr. Yves Giroux:** For different reasons, it's very difficult to accurately capture the cost of these climate events. One reason is that it's difficult to determine, with a reasonable level of certainty, what part of it is due to climate change and what part is due to regular occurrences, or whether there are other factors, such as more human activity in forests, as opposed to climate change.

I'm not a climate scientist and I don't pretend to know, so I rely on experts who know more about climate events. That's why we have tried to estimate the impact of climate change by relying on internationally recognized studies on the relationship between a rise in temperature, which leads to an increase in precipitation and average temperature in Canada, rather than by trying to determine which one of the exceptional events is due to climate change.

**Ms. Joanne Thompson:** Thank you, but how do you capture the actual costs of recovery, let's say, from Hurricane Fiona, or the cost to the country of fighting the forest fires? How do you capture the actual costs of the weather event or the climate event?



**Mr. Yves Giroux:** It's relatively easy to capture the costs of these events themselves. What is difficult is to determine with a level of certainty is whether they are due to climate change or whether an event would have occurred regardless of climate change.

What we know is that the frequency of these events will increase, but whether the costs of recovering from these disasters will be higher or whether we will adapt to mitigate the adverse impacts brings a lot of uncertainty for a long period of time.

**Ms. Joanne Thompson:** I'm drilling down on this because when I look at your report, and it's quite thorough, Hurricane Fiona, which is very close to my home.... We know that the costs associated with that weather event are significant. Now we're seeing more events coming in real time, one after the other. Those costs are part of a financial statement, but where would they appear in the financial statements? We're not necessarily budgeting for the extent of the weather systems, and we wouldn't budget for forest fires that happened before the forest fire season began, so where would those numbers be carried?

**Mr. Yves Giroux:** The costs to recover and to fight these extreme weather events would be accounted for in provincial books when they are provincial responsibilities, or with insurers when they have to compensate policyholders for these events or in the private sector when the costs are absorbed directly.

**Ms. Joanne Thompson:** There are significant federal dollars that roll into this, so where are those federal dollars? How is that captured?

**Mr. Yves Giroux:** I don't think that would be in one part; it would be spread across a multitude of departments. It could be Fisheries and Oceans, if they had to repair piers and docks, or Public Safety, for example. It's spread across multiple organizations.

**Ms. Joanne Thompson:** Thank you.

Do you—

**The Chair:** I'm afraid that is our time.

Miss Vignola, go ahead for two and a half minutes, please.

[*Translation*]

**Mrs. Julie Vignola:** Thank you very much.

Phoenix still isn't working very well. Some informal groups or even forming, consisting of people who support each other when they're in trouble.

An additional \$468 million is currently authorized to renew the resources of the government's pay system.

How can that amount be explained? Do you have any estimates of the total cost to stabilize and replace Phoenix? Have you gotten the impression thus far that changing programs would be like changing four quarters for a buck, from the standpoint of costs and the perspective of chances for success?

• (1725)

**Mr. Yves Giroux:** I believe that the last time we looked at the Phoenix pay system to estimate its costs was in 2019. A lot of water and money have flowed under the bridge since then. And I was somewhat surprised when I saw in the last budget that additional hundreds of millions of dollars had been allocated to improve

Phoenix. I raised the matter with Department of Finance officials, who told us that this was the last time and that, this time, the system should be repaired.

So I share your scepticism. However, apart from expressing my own surprise, I haven't received a response, since my more recent report on the subject dates back to 2019.

**Mrs. Julie Vignola:** Do you have any information on the next-generation system that we're putting in place? Have you seen any amounts or heard any rumours that the tests currently being conducted are a success?

**Mr. Yves Giroux:** Unfortunately, no. I have no up-to-date information on the system, which should improve matters. I apologize for that.

[*English*]

**The Chair:** Thank you very much.

Mr. Johns, it's over to you.

**Mr. Gord Johns:** There are a couple of things.

In your 2020-21 report, you determined that spending levels were not high enough to meet operation and maintenance costs to provide clean water for first nations.

Have you analyzed the funding levels for clean water programs in the 2023-24 estimates. and if so, is this enough spending to meet first nations' clean water needs?

**Mr. Yves Giroux:** In 2021 we estimated that the capital spending was sufficient but that the operations and maintenance spending was not sufficient. We have not updated that study since then, unfortunately.

**Mr. Gord Johns:** But right now, given the information you have, it would be pretty easy to say that it's not sufficient.

**Mr. Yves Giroux:** It would require more refined analysis to look at the number of advisories and the capital expenditures since that report and whether the government has reallocated some funding from capital spending to operating costs.

**Mr. Gord Johns:** There has been \$2.5 billion requested for the bilateral agreements for four priority areas: mental health, long-term care, health care workers and primary care.

Can you talk a little bit about how that funding will roll out in terms of the needs? Right now we say that we have universal health care in this country, but when it comes to mental health, we have a two-tiered system. Most people can't access mental health supports if they want to or when they want to. Usually someone has to get arrested to get the help they need when they need it, or they have to go to drastic measures, sadly.

Can you talk about what it would take to get to parity for mental and physical health care, so that people could get access to it and it would be costed out, and what parity for mental and physical health would look like?

Also, since we know it costs society \$50 billion a year, what is the cost of not doing anything more when it comes to mental health?

**Mr. Yves Giroux:** We have not costed how much it would be to provide a certain level of services when it comes to mental health. That's something we could consider if there was a committee motion to do that. It would be quite an undertaking, because we would need to have clear parameters as to the expected level of service to be provided by provinces and where the funding would be coming from.

We have also not looked at the alternative costs of doing nothing and of leaving those who need mental health services and care without access to these services.

• (1730)

**The Chair:** Thank you, Mr. Giroux.

Perhaps you can get back to it in the next round, Mr. Johns.

Mr. Perkins, you have five minutes, please.

**Mr. Rick Perkins (South Shore—St. Margarets, CPC):** Thank you, Mr. Chair, and thank you, Mr. Giroux.

I'm going to be asking all my questions about the VW contract. I think I'm probably the only MP here who's actually read it, and I've spent quite a few hours on it.

I would like to start with your analysis and your report on it this morning. It's actually two contracts. There's the construction contract, which is from the strategic innovation fund, and then there's the subsidy contract for the production.

Your report this morning was essentially just on the construction part, as I understand it. By your calculation, there's another \$2.8 billion of spending. That means that the announcement made three months ago, when there hadn't even been a shovel in the ground to build this thing, is already 20% over budget.

That being said, the Minister of Finance, in a press conference before question period, said that you got it wrong. She said she provided you with all the information, but you still got it wrong. Then she ran out of the building, and we haven't seen her since. She wasn't there for question period.

Can you comment on that first?

**Mr. Yves Giroux:** We asked for information from the Department of Finance—well, from the Minister of Finance and her officials—as well as from Minister Champagne from Innovation, Sci-

ence and Economic Development. I believe we got all the information that we were told exists and all of the information that we requested.

There was nothing in the information package we got that suggested that the government has any plans to make that assistance non-taxable. Under current legislation, it's clear that the assistance the government plans to provide—as per the contracts we've seen, as per the statements that have been made publicly and as per legislation, as I said—is taxable under Canadian tax legislation.

We also verified with officials from both departments that our interpretation is the correct interpretation. I am quite confident from the information we got, and based on our interpretation of the legislation, that the assistance the government will provide will indeed be taxable.

If you put that together with the stated aim of the government to ensure that the assistance provided to Volkswagen in Canada will be comparable to what it would receive in the U.S., where it's non-taxable, these two elements together clearly lead us to the conclusion that the amount will be \$16.3 billion, or very close to that, under current parameters.

That being said, if the government has plans to amend legislation to make that assistance non-taxable, it's the first time I've heard about it. That was not information provided to us in our information files.

**Mr. Rick Perkins:** Thank you, Mr. Giroux.

Every contract of this kind that the government signs has a sort of “net benefits to Canada” section, presumably for a foreign company that's making an investment in Canada.

Are there any “out clauses” in the contract that allow the parts that will be bought or created and then assembled at this plant to be bought from countries outside of Canada, like China? As we know, most of the world's anodes and cathodes for EV batteries are made in China, as are most of the critical minerals.

**Mr. Yves Giroux:** My office was provided with the two contracts, in fact, but they were provided to me with the caveat that they were to be used for our report and not to be discussed publicly because of their commercially sensitive nature. I don't feel comfortable talking about specific clauses in the contract unless the government itself and Volkswagen tell me that they're fine with my talking about the contracts. I feel bound by the commercially sensitive nature of the contracts.

**Mr. Rick Perkins:** You replied earlier to a previous question that it wasn't \$10 billion a job in the subsidy, but \$5 billion. Your report says it's 1,400 construction jobs, so if I do the simple math here at the table, it means that it's 1,400 jobs in production. That's how you half that to \$5 billion. Is that correct?

**Mr. Yves Giroux:** We used the public number on the number of jobs for the production phase. The government has stated 3,000 jobs when the production is in full swing. Then there's another element—

• (1735)

**Mr. Rick Perkins:** Is that 3,000 at the plant?

**Mr. Yves Giroux:** Yes, that's direct jobs. That's what has been publicly stated.

**The Chair:** There's only time for one more quick question.

**Mr. Rick Perkins:** Okay.

The minister said at the industry committee that the ROI statement comes from the Trillium report, which is a public report.

I've searched through it to look for something in reference to Volkswagen and I can't find it. Have you seen any evidence in this that they produced an ROI calculation?

**Mr. Yves Giroux:** I think there's a—

**The Chair:** Mr. Giroux, I'm going to have to ask you to respond to Mr. Perkins in the next round.

Mr. Bains, go ahead, please, for five minutes.

**Mr. Parm Bains (Steveston—Richmond East, Lib.):** Thank you, Mr. Chair.

Thank you, Mr. Giroux and Ms. Vanderwees, for joining us today.

I'm going to pick up from where Mr. Johns left off.

In your report, you note that "\$2.5 billion has been requested to improve health care for Canadian", with one of the areas of focus in provincial-territorial bilateral agreements being access to mental health and substance abuse services.

How much of this funding is going to British Columbia, Alberta and Ontario, the provinces particularly hit by the opioid crisis?

**Mr. Yves Giroux:** We don't have the provincial breakdown for these additional amounts, unfortunately.

**Mr. Parm Bains:** Okay.

Since 2015, the government has improved estimates by tagging items in supplementary estimates that stem from a federal budget. Do you believe that these changes are helpful?

**Mr. Yves Giroux:** I believe that improves the traceability of funding, which is helpful in allowing us to provide information to parliamentarians.

**Mr. Parm Bains:** Thank you.

Department mandates change constantly to meet the challenges and demands that we're faced with as a government. In previous years the PBO has been critical that at times the results and targets, both in departmental plans and departmental results reports, have not been measured or set in a consistent way, which skews the report and doesn't give an accurate picture of the work and achievements of the department.

Do you have any recommendations for how we can keep the reporting more consistent?

**Mr. Yves Giroux:** Usually, setting performance indicators that are consistent over time is a good practice, with the understanding that priorities can change. However, the indicators themselves

should not change that much from year to year. There should be relative consistency of performance indicators over time.

**Mr. Parm Bains:** Okay.

I have a question around Volkswagen. You indicated that the jobs deliver a return after five years. Was that...?

**Mr. Yves Giroux:** That's what the government said.

**Mr. Parm Bains:** Would it have been better to wait to acquire more information about job creation instead of including that in the report right now?

**Mr. Yves Giroux:** Well, the government indicated that it believes that the spending the government is making towards the construction and production of batteries will pay for itself over a five-year period.

We have not verified or calculated this potential return ourselves. We have just looked at the construction phase.

**Mr. Parm Bains:** Is there a reason that you chose not to do that work? Is that the reason?

**Mr. Yves Giroux:** It requires details that we do have but that could also risk disclosing, indirectly, Volkswagen's production schedule. Personally, I wasn't sure whether that would be a breach of the confidentiality provisions.

Also, even if we were fine with disclosing that, we were running out of time to do that analysis. That would conflict with our aim to provide you with a report before Parliament rises for the summer.

**Mr. Parm Bains:** Again, with regard to long-term benefits of the new plan, it's hard to consider those long-term benefits in the report. Is that accurate?

**Mr. Yves Giroux:** Yes.

**Mr. Parm Bains:** How much time do I have, Mr. Chair?

**The Chair:** You have one minute.

**Mr. Parm Bains:** Those are all the questions I have for today. Thank you.

**The Chair:** Thanks.

Mr. Chambers, you are next, please.

**Mr. Adam Chambers:** Thank you, Chair.

I appreciated all the questions and the discussion back and forth about the carbon tax. I'll continue on with it for a moment.

Businesses in general don't receive a rebate, correct?

**Mr. Yves Giroux:** Yes.

**Mr. Adam Chambers:** Our farms and farmers are one of the groups that are heavily affected, so I appreciate this discussion about which families are being impacted. It seems to me that whether or not you consider farms as providing a significant subsidy for the funding that happens for the rebates, it's actually quite substantial, including those families who happen to live in rural parts of the country, with different lifestyles, different impacts and different choices of vehicle, for example.

Is that fair?

• (1740)

**Mr. Yves Giroux:** It's a fair statement of facts.

**Mr. Adam Chambers:** Right, and I certainly appreciate trying to quantify the costs of doing nothing—however that would look in a model—but there's also a point about what Canada's pro rata contribution is to that cost. We're not responsible for all of the climate change effects that happen in the world, correct? We can't all of a sudden take a 100% of the cost and say that we're going to solve it by implementing policies that will affect—what?—2% of emissions.

**Mr. Yves Giroux:** Yes, and that points to one other difficulty, in my opinion, of costing a scenario in which we do nothing. Whether it's Canada that does nothing and is a free rider and lets other countries do their own emissions reductions or whether it's the entire world doing nothing, which is a catastrophic scenario, that leads to various different hypotheses and assumptions.

If we take Canada as a free rider, in that case there would be a cost, but it would probably be much more than economic. It would be diplomatic. It would be commercial. There are various considerations that become very tricky and delicate in estimating a scenario in which we do nothing.

**Mr. Adam Chambers:** The Bank of Canada produced a report last year that said the carbon tax in general added about half a point to inflation. Would it be safe to assume that since the clean fuel standard also impacts the price of fuel and energy, which is one of the more significant contributing components of inflation, it will be inflationary to some degree?

**Mr. Yves Giroux:** Yes, to the extent that energy and gasoline and diesel are part of the consumer price index. If you increase one of the components of the CPI, it increases inflation, although marginally.

**Mr. Adam Chambers:** Thank you.

I want to pick up on my colleague Mr. Perkins for a minute. We don't know the spending profile for the Volkswagen contract, correct? We will eventually know the spending profile because it will show up in the public accounts.

**Mr. Yves Giroux:** Yes.

**Mr. Adam Chambers:** Do you have an idea why the government thinks it's commercially sensitive today but that it will eventually not be commercially sensitive when we all find out?

**Mr. Yves Giroux:** No, I don't know. It may be because it involves secrets or commercially sensitive information when it comes to ramping up, or the capacity of a business to ramp up production, and then sales of electric vehicles, but I don't know.

**Mr. Adam Chambers:** Okay.

In 30 seconds, I have a quick question: If the government is banning petrol vehicles, what's the point of the carbon tax?

**Mr. Yves Giroux:** That's a good question. I think it's to reduce the use that would be made of fossil fuels—gas, gasoline, diesel—for cars that will still be on the road, and the use for heating systems and industrial processes.

**Mr. Adam Chambers:** But over time, with the ban, we would get rid of them.

**Mr. Yves Giroux:** We might get rid of cars, but maybe not of other uses.

**Mr. Adam Chambers:** Thank you.

• (1745)

**The Chair:** Thank you.

Next is Mr. Kusmierczyk.

**Mr. Irek Kusmierczyk (Windsor—Tecumseh, Lib.):** Thank you, Mr. Chair.

Thank you, Mr. Giroux, for being here once again in front of this committee and for providing your sage insight and again sharing your and your team's hard work.

Budget 2023 announced that there would be a reduction in outsourcing. This has been an issue that has captivated this committee for quite some time. The reduction in outsourcing would be particularly for management consultants. I wanted to ask you whether you believe that this is a step in the right direction for providing savings for the public.

As a second question, what considerations and what factors should we as MPs be weighing or looking at to make sure that we get that balance right? Again, we've heard that obviously in many ways the consultants do bring value, especially when it comes to knowledge exchange and best practices. What considerations should we weigh as we go about finding that balance as we reduce outsourcing?

**Mr. Yves Giroux:** That's an interesting question, a question I didn't expect. I also didn't expect you to be so nice in your preamble by saying that I'm sage. Thank you very much for that.

Reductions in outsourcing, I think, should be achievable with some effort, but not overly difficult, given that there has been an increase over time, especially in the last couple of years, in the use of outsourcing. I think it is indeed a step in the right direction to reduce these types of expenditures and rely more on the knowledge that already exists in the public service.

As to what to look for and what to do when it comes to reducing outsourcing, that's probably outside my immediate remit, but it's about ensuring that services to populations are not unduly reduced. Some of these consultants are not just management or IT consultants; there are also service providers for first nations and Inuit health in rural and remote communities, as well as other types of consultants who are necessary. For example, engineering services for the Canadian Forces may be in short supply in some specialized areas.

It about ensuring the savings do not come at the expense of potentially more expenditures down the road, or poorer outcomes when it comes to health, for example.

**Mr. Irek Kusmierczyk:** Is it also fair to say that....? Obviously, this government has a very robust posture, I guess you could say, or policy program. It's developing tremendous programs like \$10-a-day child care. Another example is the complete revitalization of the industrial manufacturing heartland in Canada, which is a very ambitious policy on the part of this government. Just today in the House, we were debating the Canada disability benefit. This is generational and historic, in that it will provide financial security for millions of Canadians and lift hundreds of thousands of persons with disabilities out of poverty. Again, it's a very ambitious program, one that has a tremendous impact on Canadians.

Is there a danger that if we cut some of the consulting too much, it might have an impact on this progressive, robust program of bringing in tremendous changes that benefit Canadians? Is there a danger it might actually hamper our ability to deliver on those generational programs?

**Mr. Yves Giroux:** It depends on the areas where the consulting services are cut, the specific type of consulting services that will be cut. If you cut management consultants, I don't think the risk is there. However, if you cut, for example, engineering services or health care providers for remote communities, or even some IT specialists supporting or developing key systems, there can be a risk.

Is there capacity in the public service to replace these consultants? There probably is in many of these areas, but not in all of them.

**Mr. Irek Kusmierczyk:** As another question, I'm changing gears a bit.

We have the benefit, as MPs, of having your presence here quite frequently to help us understand the budget and estimates and do number crunching. A lot of Canadians don't have the benefit of being able to call on a Mr. Giroux to explain, for example, the details of the budget.

Are there any recommendations for making the estimates in the public accounts a little easier to read or interpret for Canadians looking for information in the budget and supplementary estimates? Is there anything we can do to make those easier and more accessible for Canadians and MPs to access?

• (1750)

**The Chair:** I'm afraid any insight you might have on making it easier will have to wait. The estimates will have to continue to be difficult to understand and cut through.

Colleagues, if it's okay with you, there are two and a half minutes left for the Bloc and the NDP. I'll combine the two of them if that's fine with everyone.

Ms. Vignola, go ahead for five minutes, please.

[Translation]

**Mrs. Julie Vignola:** Thank you very much, Mr. Chair.

The Department of National Defence made the headlines this week.

Some of our soldiers in Latvia, in particular, are required to pay for their equipment out of their own pockets. However, we also know that this department doesn't spend its budgets from year to year. Consequently, why do we have underequipped soldiers who are required to pay for their equipment out of their own pockets, and a department that isn't spending the money set aside to equip its soldiers?

**Mr. Yves Giroux:** That's a good question to which I unfortunately don't have an answer. I don't have any information on that specific example.

However, the fact that a department doesn't spend all the amounts that are allocated to it isn't necessarily a good thing. As a taxpayer, I prefer that a department not spend all its votes rather than waste them, but one can definitely conclude that a department as large as National Defence is capable of properly planning its capital spending and balancing its budgets, especially its capital budgets and spending amounts.

**Mrs. Julie Vignola:** Lastly, the department is being advised to learn how to plan more appropriately.

Are you planning to conduct a study on the cost to replace the Aurora CP-140s?

**Mr. Yves Giroux:** That isn't yet in my work plan; some elements haven't been decided yet.

**Mrs. Julie Vignola:** All right. Thank you.

Now I would like to discuss Trans Mountain, a project with costs that have exploded from \$12.6 billion in 2020 to \$30.9 billion in 2023. Canada has invested more than \$4 billion in this project, and resale now appears to be impossible without realizing massive losses.

What would be the consequences for taxpayers if the Trans Mountain pipeline were sold in accordance with what's determined in the project?

Is it normal to spend that much public money on a project that ultimately has no direct impact in Canada?

**Mr. Yves Giroux:** There are two potential answers to that.

The consequence of the sale, which we still estimate would be transacted at a price below acquisition and expansion cost, could very well be a net loss for taxpayers. The amount of the loss will be determined based on the selling price when the government comes to sell the pipeline.

As for benefits to taxpayers, I would say that the government acquired the pipeline to provide easier market access for Canadian oil. As you know, that oil is landlocked and has no access to other export markets than those in the United States. Consequently, there could be benefits for producers, such as better export prices, in particular, since it would be easier to find other buyers than national buyers and American refineries.

The government probably decided to buy the pipeline to ensure higher prices for a barrel of Canadian oil and to secure easier export capacity.

**Mrs. Julie Vignola:** Thank you.

The government is increasingly hiring full-time employees, having made 23,000 new hires, which brings the total to more than 400,000 employees.

We discussed the fact that it is reasonable for the number of Canadian government employees to equal approximately 1% of the population. However, we have now exceeded that 1%.

Do current needs justify this?

What should we expect with regard to service quality and performance following these hires?

• (1755)

**Mr. Yves Giroux:** As a result of the number of public servants who have been hired in recent years, we should expect very good services. We have gone from 342,000 full-time employees in 2015-2016 to more than 400,000, as you mentioned, in the year that ended this past March.

Consequently, we should expect excellent services, but that's not what we're seeing in all sectors.

[English]

**The Chair:** Thank you, Mr. Giroux.

Mr. Johns, you have five minutes, please.

**Mr. Gord Johns:** I want to briefly go back to the carbon tax.

Eight in 10 Canadians would get a rebate back on the carbon tax. They would get more than they paid at \$170 a tonne, when we get to the end, if you want to call it that.

Can you tell me how much the carbon tax would contribute to inflation?

**Mr. Yves Giroux:** Based on a study by the Bank of Canada that one of your colleagues quoted, the bank has estimated that the carbon tax contributes about 0.5% to inflation.

**Mr. Gord Johns:** Okay.

Now, let's say we get rid of the carbon tax and we go toward subsidies and regulations or try to do nothing. The U.S. has made it clear that there would be a border carbon adjustment. What would implementing that on the eight in 10 Canadians who would get it back under the current mechanism of the carbon tax look like, versus getting rid of it and having the border carbon adjustment? How would that play out in terms of cost on the eight in 10 who would currently get a rebate?

I imagine that inflation would actually go up significantly more.

**Mr. Yves Giroux:** It depends on exactly what is done in place of the carbon tax, but if we speak just about a carbon adjustment at the U.S. border, that would probably lead to an economic slowdown, and that could be significant, depending on the amount of the adjustment that the U.S. imposed. It's not unthinkable that if this was a significant adjustment, it could lead to significant negative impacts on sectors that are more energy-intensive.

We've seen what happens when the U.S. imposes taxes for Canadian exports when it comes to wood products. It's been an ongoing dispute for a number of years. Here the effect would depend on the magnitude of that border adjustment and what types of other instruments are implemented in place of a carbon tax.

**Mr. Gord Johns:** Don't I know it on softwood lumber. I live on Vancouver Island.

On the \$170 a tonne, if that was imposed on everybody at the border without the rebate, I imagine that it would drive inflation significantly.

**Mr. Yves Giroux:** It would drive inflation up in the U.S., but in Canada it would probably have the opposite impact. It would act as a depressor on economic activity and on prices, so it would be the opposite impact or effect, which is not much better. In fact, you could say it's worse, because it would depress economic activity.

**Mr. Gord Johns:** Yes. Got it. Thank you for that.

I moved a motion here at the committee to get an idea of the costs of our study on McKinsey. We wanted all documents related to this study. I moved a motion to expand the study to include the big six, but without asking for every single document. I was worried about costs associated with that.

Can you speak about your letter to us? You were unable to get all of the data. You cited that it's \$8.2 million at the translation bureau, just for.... I'm sorry. It was PSPC.

Can you give us an idea of what your overall guess would be? What is the request we made costing the Canadian taxpayer?

**Mr. Yves Giroux:** Based on the information I received and the short discussions I had with a couple of senior officials, the majority of the costs that they were able to identify were related to the translation of thousands of pages of documents. They said that the other costs would be very diffused and difficult to pinpoint, because they don't tend to track the activities of each and every one of their staff members.

This would have required a significant number of hours, but in the absence of a system that tracks by activity, they cannot estimate that precisely.

• (1800)

**Mr. Gord Johns:** Sure. I imagine it would backlog a lot of requests made to those departments, and that's costly on its own.

Are there any recommendations that you can make to this committee, given that...? My guess is that it's going to cost tens of millions of dollars.

Do you have any recommendations to this committee for best practices moving forward, so that we get the information we need to make good decisions?

Second, have you seen a committee do this at this magnitude before?

**Mr. Yves Giroux:** First—

**The Chair:** Give a very brief answer, please.

**Mr. Yves Giroux:** I'm not an expert on committee business, but I would think one way to limit these types of impacts would be to have a clear definition or a clear request that is as limited as possible, as opposed to being wider or...that is less subject interpretation is what I mean.

**The Chair:** Thank you very much.

Mr. Perkins, you have five minutes.

**Mr. Rick Perkins:** Thank you, Mr. Chair.

Maybe I could let you, Mr. Giroux, answer the question I posed at the end, which is the ROI question with the \$16-billion investment.

Have you seen an ROI calculation for it, as the minister claims there will be in five years? If not, what would it take to get an ROI on such a large investment?

**Mr. Yves Giroux:** The ROI I've seen—or the multiplier effect, as some call it—is 3:1 in the current state of the industrial sector in Canada, which could rise up to 6:1 if the majority of inputs were to be sourced from Canada. That would be considerable at 6:1, and that's based on external estimates when it comes to EVs and batteries.

**Mr. Rick Perkins:** Thank you.

Did you look at the question of the capital cost allowance? Will Volkswagen be able use the capital cost allowance deductions with this investment it's making?

**Mr. Yves Giroux:** I'm not sure. I don't remember seeing or hearing any public statement by the government about Volkswagen's not being eligible to use the CCA in the same way as any other business. It's quite possible, but I think—

**Mr. Rick Perkins:** Reuters has reported that it's a \$6-billion to \$7-billion investment that Volkswagen is making in the construction phase. A larger part, obviously, with that would be considerable. Would it require special legislation for it to not be able to use the capital cost allowance?

**Mr. Yves Giroux:** Yes, that's my understanding. Like any other business, it's eligible to claim it, so to prevent a specific corporation from claiming the CCA, there would need to be legislative amendments to exclude either that type of business or that corporation itself.

**Mr. Rick Perkins:** Is that based on the fact that there hasn't been any legislation passed to make it tax exempt? I'm referring back to your first answer to me earlier about your calculation that this will actually cost \$2.8 billion more than the Liberals are estimating.

**Mr. Yves Giroux:** Exactly. There hasn't been legislation passed, tabled or even mentioned to this date about exempting Volkswagen from tax on the government assistance that will be provided.

**Mr. Rick Perkins:** You used finance department documents to make this analysis, so it seems to me that perhaps the minister is more confused about what's required to do that than your report is.

Not at this committee meeting but I think in briefings earlier today, Stellantis said it will walk away from the investment under the same strategic investment fund that is financing the construction of that building. Stellantis is asking for a deal similar to what Volkswagen got—which is what I would do too, if I were Stellantis—in order to ensure a competitive playing field. I believe you said that if it comes through at the same level, it will probably cost more than this contract. Is that true? It's hard to know, since we haven't seen a contract for either the construction phase or the production phase.

● (1805)

**Mr. Yves Giroux:** It's very difficult to know. It depends on the production schedule and capacity, because the subsidies are per unit produced. It depends on the capacity of that other plant, the Stellantis plant. In the absence of having any clear idea as to what the production capacity of that plant would be, it's difficult for me to assess whether it would be more or less expensive.

**Mr. Rick Perkins:** Not in these specific fields but generally, when the government signs a large contract with a private sector company and there's government support for it, there are milestones and metrics, and usually there are conditions that say that either party can walk away from the deal or choose to cancel the deal. Stellantis is saying that it's going to walk away from the deal unless it gets more. There must be a cancellation clause, then, in these contracts in order to allow them to do that, wouldn't there be?

**Mr. Yves Giroux:** I haven't focused on the cancellation clauses. I focused on the financial metrics, so that's—

**Mr. Rick Perkins:** Therefore, if there isn't a cancellation clause, we get stuck with the bill for what's been invested already, and they walk away.

Okay. Thank you.

**The Chair:** That's pretty much your time, Mr. Perkins.

We'll go to Mr. Jowhari, please.

**Mr. Majid Jowhari (Richmond Hill, Lib.):** Thanks, Mr. Chair.

Welcome back, Mr. Giroux and your team, to the committee. Thank you for the work you're doing.

In looking at the report that you put out on the supplementary estimates (A), I see that you've broken the report into three parts around major expenditures. With regard to budget 2023, you talk about the 15 budget measures to the tune of about \$4.4 billion, and then the indigenous reconciliation, as well as about \$700 million on personnel.

I'd like to start with the major part of the budget 2023 expenditure, which is about \$2.5 billion. My understanding, based on the report, is that this is the first of the 10 instalments of \$25 billion that the government set aside from the \$46.9 billion on shared priorities with the provinces. Can you give us some details around where that \$2.5 billion is being used, or at least earmarked to be used, and the impact it's going to have?

**Mr. Yves Giroux:** These levels were not in the estimates themselves. On that, I would probably refer to the public statements made by the government when it announced the investments or the additional expenditures on the health transfers.

**Mr. Majid Jowhari:** When you talk about the debt, you mention “through which the government has announced that it intends to provide \$25 billion over 10 years”. You then say, “Notably, one of the areas of focus in these agreements is improving access to quality mental health and substance use services.”

Is this \$2.5 billion that they're accounting for in these estimates specifically focused on mental health and substance abuse? What positive impact is that going to have? Further down, you talk about the opioid crisis and provide a chart. How do you think this \$2.5 billion will help?

**Mr. Yves Giroux:** It should contribute to reducing mental health issues, hopefully, especially for those who suffer from addictions, notably to opioids, which is an issue in most regions of the country, if not all. The amount of \$2.5 billion spread across the provinces and territories might not seem like a lot, but I think it will certainly help those who suffer from addictions, based on the expertise of public health authorities.

**Mr. Majid Jowhari:** Thank you.

With regard to personnel spending, you talked about \$708 million in budgetary authorities as part of the estimates. Can you tell us where this money is being spent in the increases on the personnel side?

**Mr. Yves Giroux:** We don't have these details off the top of our head. We know the amount, but at this moment we don't know which specific areas and which departments are going to—

**Mr. Majid Jowhari:** When you talked about the increase, it was actually in the dollar value that you saw the increase; the support document wasn't there for us to be able to figure out which department or which ministry would have the personnel increase.

• (1810)

**Mr. Yves Giroux:** It's in the document itself. I just don't have the document in front of me.

**Mr. Majid Jowhari:** Okay.

Do you have any idea, based on having looked at this, of where the major increase is on the personnel area? Is it in government services or in IRCC or...?

**Mr. Yves Giroux:** I really don't remember. I'm sorry.

**Mr. Majid Jowhari:** Okay. No worries.

That's pretty much it. I mean, there's another \$4.9 billion for Indigenous Services, but the breakdown is quite clear in the report you've put in.

Thank you very much. Those are all my questions.

**The Chair:** Thank you, Mr. Jowhari.

Ms. Block, you have five minutes, and then Mr. Kusmierczyk will have five.

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

I join my colleagues in welcoming you here today, Mr. Giroux and Ms. Vanderwees. I appreciate as well the opportunity to ask multiple questions of you, although five minutes doesn't give us a lot of time.

I want to follow up on some of the questioning of my colleague Mr. Chambers in regard to the carbon tax. We now have carbon tax number one, and then we have carbon tax number two. I want to ask you to confirm some numbers for me going forward in regard to the net cost to a household once these taxes are fully implemented.

It's my understanding that in Saskatchewan, carbon tax number one will cost households \$1,723. Carbon tax number two will cost \$1,017. That's a total of \$2,840. In Alberta, carbon tax number one will cost Alberta households \$2,773. Carbon tax number two is another \$1,057. Once fully implemented, that will cost Alberta households over \$3,900.

Can you confirm those numbers? Can you then confirm whether those two numbers are the highest in the country and whether in fact Alberta is the highest of all?

**Mr. Yves Giroux:** I don't have the numbers for the carbon tax itself in front of me, but the numbers you quoted seem to be accurate, based on my recollection. The clean fuel regulation numbers you quoted aren't exactly the numbers in our reports, but assuming the carbon tax numbers are right, which I assume they are, yes, what you say would be accurate.

**Mrs. Kelly Block:** Saskatchewan and Alberta will be paying the highest carbon tax per household in the country, with Alberta being the highest.

**Mr. Yves Giroux:** Yes. That is due to the economic structure of these two provinces, which rely more on the oil and gas sectors than most other jurisdictions in the country.

**Mrs. Kelly Block:** Thank you.

I want to switch gears now and ask you very quickly about the “Strong, Secure, Engaged” strategy in Canada. An article just published today states that the Royal Canadian Air Force could not take part in NATO exercises because essentially “our Air Force is up on bricks”.

What I'd like to hear from you is if you could give us an update on “Strong, Secure, Engaged” and if there actually is enough money to fulfill the stated objective of this strategy. If not, how much more is needed?



**Mr. Yves Giroux:** The last time we looked at the spending profile for capital spending under “Strong, Secure, Engaged”, we found that there was a delay in the department in spending the money. It led to a re-profile. The spending didn't start as fast as expected, so they had to re-profile some of it out into the future. That, of course, in the absence of an overall increase, reduces the number of pieces of equipment the government can buy, because the value of money tends to decrease over time.

That being said, we don't make assessments as to whether or not that is enough to buy all the equipment that the Canadian Forces say they will buy, because there could be reductions in other types of capital spending—for example, base refurbishments or renovations at bases. The government could choose to still fund the acquisitions it plans to undertake by reducing other areas of capital expenditures.

● (1815)

**Mrs. Kelly Block:** Thank you.

Are you aware if DND has changed their plans to take into consideration some of those delays? Have they put forward a plan to meet the obligations as outlined in the strategy?

**Mr. Yves Giroux:** They haven't, not to my knowledge. The last time we released a report on that was more than a year ago, and since then we haven't looked at that situation. Maybe they did, and we just didn't study it to provide an updated report.

**Mrs. Kelly Block:** Okay. Thank you very much.

**The Chair:** Mr. Kusmierczyk is next.

**Mr. Irek Kusmierczyk:** Thank you, Mr. Chair.

Before I circle back to my original question about recommendations on how to make it easier for us in public accounts and on all Canadians as well, I want to take a second to ask you a question on the VW report that you released. I was there this morning and I was listening very attentively.

I want to ask you a simple question: Have you ever seen the scale of investment in our auto workers and in manufacturing, in manufacturing communities like this one, like the scale of investment in Volkswagen in St. Thomas and also in Stellantis in Windsor, my hometown?

I'm asking you as someone who grew up in an auto town, who has experienced the ups and downs of the automotive industry and who has seen the dark days of 10 years ago and the displacement, the job losses. Have you seen this scale of investment in our auto workers and auto communities like St. Thomas and Windsor, which you studied in your PBO report that you presented to us this morning?

**Mr. Yves Giroux:** No. I haven't seen anything like that before.

**Mr. Irek Kusmierczyk:** Okay. That's a simple answer. I appreciate that. It was very to the point.

Going back to my original question, can you provide us with some recommendations on how we can make the budget and the estimates more legible and more accessible to us as MPs, and also to all Canadians who want to look into the numbers and into the business of government?

**Mr. Yves Giroux:** That's again a clear question that calls for hopefully a clear answer, but it might be difficult to answer briefly on this one.

I think there are many steps that could be taken to achieve the stated objective of making these documents more readable. I think one obvious first step, which I mention often, is to better align the estimates process with the budget process. Then when the main estimates are tabled, we would be able to find budget items more easily. If the main estimates are tabled before the budget, they don't include what is in the budget, so aligning the two would be a very good first step.

The other aspect I would recommend is something I try to do myself, but it is very difficult: writing in plain language. It's especially difficult when the text is drafted by bureaucrats in various departments. They all want to be as precise as possible, but they don't have a common culture of writing in plain language. I'm guilty, and my office is guilty, of not doing that.

Having a budget that is tabled at a fixed date or within a short window would certainly allow for better alignment between the main estimates and the supplementary estimates. That would make it easier for people like you and your colleagues to hold the government to account and to scrutinize these very important pieces of legislation and these accountability documents.

**Mr. Irek Kusmierczyk:** Mr. Giroux, when I was a city councillor on Windsor City Council, we introduced a budget tool mechanism that allows residents to play around with or manipulate spending priorities. For example, if you wanted to reduce the budget for the police, you would see the impact that this would have on the budget, as well as on taxes and on services.

Is there a tool that's available that could be similarly implemented to allow Canadians to play around with and change the budget to what their priorities are and to perhaps see the impact that would have on the quality of service and also on the level of taxation and whatnot? Is something like that available out there? I'm just curious.

● (1820)

**Mr. Yves Giroux:** There's something very similar to what you described available on the very good PBO website, where Canadians and parliamentarians can adjust the tax rates and the tax brackets, including the GST and excise taxes on tobacco and alcohol, if you are interested, and see what it does to the bottom line, which is the deficit or the surplus. We haven't gone further to permit playing with the overall priorities of the government, but it is a very good first step for those of us who are interested, like me, in various elements of policy-making.

**Mr. Irek Kusmierczyk:** Is there a way to link that also to service standards or the quality of service as well, so that when you reduce funding for immigration, let's say, it shows what the impact could be on service levels? Is there an ability to connect it in that way? I'm just curious about whether that's possible.

**The Chair:** It will have to be a very brief answer, because we're past time already.

**Mr. Yves Giroux:** I'm sure there is a way to do that. Reducing funding for operational expenditures at IRCC would mean lengthened delays in the processing of immigration applications.

**Mr. Irek Kusmierczyk:** Okay, thank you.

**The Chair:** Thank you, sir.

Mr. Giroux, it's wonderful to have you with us. I think you've been with us so much that you've earned a free coffee from us. There's some at the back that you can take on the way.

Ms. Vanderwees, thanks for being with us as well.

Before you leave, you mentioned the SSE report that you did. I'm wondering about that, and then about the report on the CSCs, the Canadian surface combatant frigates, that you did for this committee. Would you be able to update those for us and submit them back to us?

**Mr. Yves Giroux:** It's something that we can certainly do. It depends on the timelines you have in mind. We could certainly consider that.

**The Chair:** Colleagues, is there interest to have those reports updated and tabled when the PBO has them finished? This relates to the SSE report that he just mentioned and the one from 2022 for the frigates' life cycle costs.

**Some hon. members:** Agreed.

**The Chair:** I don't have a specific date. It's just when you can get to it.

**Mr. Gord Johns:** Mr. Chair, I asked the PBO a question about what it would cost for us to get to parity between mental and physical health in terms of basic mental health supports. Would it be out of order to ask the committee to request the PBO to do an analysis of what it would cost to get there?

**The Chair:** Do you want to put some more details into a motion?

We'll do it Monday.

**Mr. Gord Johns:** I'm happy to do that. Thanks.

**The Chair:** I think we'll find some time to do it Monday.

Mr. Giroux and Ms. Vanderwees, again, thank you for joining us. You are dismissed.

Colleagues, before we leave, I have a couple of very quick items.

One is that we have to approve the budget for this supplementary estimates (A) exercise. It is minimal, but we still have to do it. Even though we did not spend anywhere close to the budget of \$1,250 for the supplementary estimates (A), which is for a working meal and headsets, we need approval for it.

Do I have approval, colleagues?

**Some hon. members:** Agreed.

**The Chair:** Then there are the supplementary estimates (A). Does the committee wish to vote on the supplementary estimates (A)?

I see we do. Great.

Shall vote 1a under the Department of Public Works and Government Services carry?

DEPARTMENT OF PUBLIC WORKS AND GOVERNMENT SERVICES

Vote 1a—Operating expenditures.....\$391,170,931

(Vote 1a agreed to on division)

**The Chair:** Wonderful.

Shall the chair report vote 1a under the Department of Public Works and Government Services to the House?

**Some hon. members:** Agreed.

**The Chair:** Wonderful. That is all, colleagues. Thank you very much.

Mr. Giroux and Ms. Vanderwees, again, thank you very much.

**Mr. Majid Jowhari:** Mr. Chair, can you give us some insight into the Monday and Wednesday agendas, please?

**The Chair:** Sorry; before you leave, colleagues....

We're not adjourned.

Monday will be the departments on McKinsey. We will have a short discussion with our clerk about the McKinsey documents. Wednesday—that's the 21st—we have open, and I think we said we'd do Bill C-290.

**Mr. Majid Jowhari:** Okay. Is that a firm decision?

**The Chair:** That's always been what the Monday is. We have Wednesday open. We can certainly discuss—

**Mr. Majid Jowhari:** I just want to make sure that Julie is also aware.

• (1825)

**The Chair:** June 21 is too late for us to get it to the House.

**Mr. Majid Jowhari:** That's fine. I just want to make sure she understands.

**The Chair:** We've had the discussion.

**Mr. Majid Jowhari:** You've had that discussion with her already. Okay.

[*Translation*]

**Mrs. Julie Vignola:** Why isn't it Monday?

[*English*]

**The Chair:** Monday we have the department heads for the McKinsey documents. That had been bumped from other past meetings and also bumped for one of the Bill C-290 meetings. We'll hear from the department heads on redacting the McKinsey documents this Monday. The witnesses have already been invited.

Wednesday is open. We can do Bill C-290, but it will still be too late. Even if we finish it, it'll be too late to get it to the House in time, but we did, of course, in the vote today, receive the House's approval to add 30 sitting days, so we can finish it in September or October and get it to the House once it has been amended.

[Translation]

**Mrs. Julie Vignola:** We could reverse the order of business and continue our consideration of Bill C-290 because I think could complete it. We could hear from officials on Wednesday.

[English]

**The Chair:** The issue with that is that we've invited the witnesses already, and I think this will be the third time for them. One of the options, of course, is.... This was a concern when the original report came up. We tried to table it at the House. Mr. Johns, and I think someone from the Liberal side, suggested that we hear from some of the departments about why they're not obeying the order for documents from the committee.

We have heard from them. We can hear from a couple of others and then report, if we can get support to report the report to the House, as the analysts have done it, and then we can get on to Bill C-290. Otherwise, it is the department heads on McKinsey, and then the 21st is open.

Mr. Housefather has his hand up, and then we have Mr. Johns.

**Mr. Anthony Housefather:** Thank you, Mr. Chair.

I think the priority should be legislation. I would think that finishing Bill C-290 on Monday and getting it back to the House before the House adjourns for the summer should be the priority. My recommendation and preference would be to do Bill C-290 in the first hour of Monday and try to get it back to the House.

I also want to raise the issue of the Public Sector Integrity Commissioner and suggest that we try to put an hour aside next week to hear from the nominee who's been presented to the committee.

If it was possible to at least try to deal with Bill C-290 for an hour on Monday, it would be appreciated. Also, if we could put aside an hour for the nominee, that would also be appreciated.

**The Chair:** Go ahead, Mr. Johns.

**Mr. Gord Johns:** Our preference is that we do Bill C-290 on Monday. I want to get this thing done and presented to the House. I want to get rolling on it.

I would like to see the commissioner come on Monday. If we get done with Bill C-290, even if it's half an hour or we stay later.... We can negotiate to see if we can get the interpreters later.

On Wednesday we can come back and do the department heads. They've been pushed three times, so it's not the end of the world if we ask them to come Wednesday. It's Wednesday now, so that gives them a week's notice. It's not like we're saying on Friday afternoon that we don't want them to come. They work for us; they're public servants. If we ask them come back on Wednesday....

Really, what they're doing is part of the report anyway, coming here and reporting. That's a conversation. We've spent a lot of time on this report, and I think Bill C-290 should get priority, given

that.... I don't know how many meetings we've had on McKinsey. We haven't even started on the other study, the bigger study. I'd like to deal with Bill C-290 on Monday.

**The Chair:** Go ahead, Mr. Kusmierczyk.

**Mr. Irek Kusmierczyk:** Mr. Chair, it does appear that a majority of committee members want to see the Bill C-290 legislation. Of course, that is the priority.

Then it's the PSIC, because that is a statutory requirement of this committee—

**The Chair:** No, it's not.

**Mr. Irek Kusmierczyk:** —to get this discussion—

**The Chair:** Let me just address a couple of things before you filibuster out the time. I think we can come to a solution here.

**Mr. Irek Kusmierczyk:** It seems like that's the will that I'm sensing from the committee on both of those.

**The Chair:** I can get to that, if we can get to it rather than filibustering.

There are a couple of things. If that's the will of the committee, then obviously that's fine.

I will note a couple of things. On Bill C-290, we have gone well past the number of meetings we had planned, mostly because the government has constantly made many changes, despite promising not to. I understand and I appreciate what you're saying, but we would have had this done in May if the government had fulfilled its promise and its commitments. However, we can certainly switch to C-290.

The issue about the bureaucrats refusing is not an issue with McKinsey. The bureaucrats are refusing an order of this committee that the big green book states they have to follow.

We'll certainly do the will of the committee, which sounds like it's Bill C-290, but we should not forget that this is an important issue, in that the department heads are deciding what the laws should be and what rules they should follow, not Parliament. We could certainly take care of it by doing a very quick vote to send the report to the House. I've promised that it's not going to be used as a concurrence vote or anything else. It'll be a simple report to the House. If that's the will of the committee, that is fine.

On the issue of the public sector integrity person, we have options. One option that's provided in the book is—I think it's option (c)—to do nothing. It's not a statutory requirement for us to review orders in council.

I have spoken with the parties about this. There might be a chance on Wednesday for this, but if we want to do Bill C-290, then we can do Bill C-290. We will not get through C-290 and put aside time for the nominee in the same time. We still have quite a bit further to go.

Go ahead, Ms. Block.

• (1830)

**Mrs. Kelly Block:** Thank you, Mr. Chair.

I know that the time has come for us to determine the path forward.

My question is, what was the purpose of passing a motion in the House today to add 30 sitting days so that we could actually continue to deal with Bill C-290 when the House resumes in September?

**The Chair:** It was a backup, just in case. I'll be blunt: I don't see that we'll get through it, seeing how long it's taken, but if that's the will of the committee, then that is the will of the committee.

Go ahead, Mr. Johns.

**Mr. Gord Johns:** Well, then let's spend two hours on Monday on Bill C-290. Let's get through it. Let's do this.

**The Chair:** I'm saying that if that's what we wish to do, then we'll bump the bureaucrats.

Go ahead, Mr. Chambers.

**Mr. Adam Chambers:** I would just point out that I don't think you ever want to create a precedent such that in the future some department might say, "Don't worry about sending the documents; nothing happens to you anyway."

**The Chair:** Well, we've created that in this committee already, unfortunately. It's to the detriment of Parliament, I can tell you. That's what the government wishes.

We will do Bill C-290 on Monday. On Wednesday, we will move the department heads and we'll still consider the nominee for the public service integrity commissioner.

**Mr. Irek Kusmierczyk:** Mr. Chair, I have a motion I'd like to put forward for a vote, if that's okay.

**The Chair:** I don't know if it's on the matter at hand.

**Mr. Irek Kusmierczyk:** Actually, the motion that I'd like to put forward is that the committee continue considering Bill C-290 on Monday, June 19, and provide one hour for PSIC on Wednesday, June 21, to hear from the PSIC nominee.

**The Chair:** I have a couple of things.

First, Mr. Kusmierczyk, I don't think the motion is in order. We haven't switched to committee business. If we do that, are you talking about Wednesday to do PSIC or Monday?

• (1835)

**Mr. Irek Kusmierczyk:** I'm suggesting to do two hours of Bill C-290 on Monday, and then on Wednesday, do one hour on the Public Sector Integrity Commissioner.

**The Chair:** I would prefer that you put the motion in writing. We'll do it on Monday.

I will rule it out of order right now because we're not in committee business. I'd rather we put it in order and do it on Monday.

We have the departments that we're bumping repeatedly. We're only going to get to.... We have about eight departments.

**Mr. Irek Kusmierczyk:** Mr. Chair, we are in committee business, so I would ask for a vote to overrule the chair on that.

**The Chair:** Sure. We'll go to a vote on whether to overrule the chair. If my ruling is overruled, it becomes a debatable motion.

**Mr. Gord Johns:** It's still Bill C-290 on Monday.

**Mr. Adam Chambers:** [*Inaudible—Editor*] Monday. We got used to this on the finance committee.

**Mr. Gord Johns:** Let's vote.

**The Chair:** We'll vote.

**The Clerk of the Committee (Ms. Aimée Belmore):** The question is this: Shall the chair's decision be sustained?

**Mr. Irek Kusmierczyk:** Madam Clerk, what's the question?

**The Clerk:** The question is, shall the chair's decision be—

**The Chair:** The clerk is calling the vote. Let her, please.

**The Clerk:** The question is, shall the chair's decision be sustained?

There is a tie. In the event of a tie, the chair's decision is sustained.

(Ruling of the chair sustained: yeas 5; nays 5)

**The Chair:** Colleagues, are we good to adjourn?

Colleagues, just to confirm, we're doing Bill C-290 for two hours on Monday, but I will need about 15 minutes to go over McKinsey documents. We will at least 10 minutes for McKinsey documents. I'll try to send out a bit of information in advance so that we're ready to talk about what we want to do with the documents.

Colleagues, thanks. The meeting is adjourned.







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