



2018-19 Report on the Activities of the Office of the Parliamentary Budget Officer



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

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www.pbo-dpb.gc.ca

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Message from the Parliamentary Budget Officer



As the Parliamentary Budget Officer (PBO), I am pleased to present the 2018-19 Report on the Activities of the Parliamentary Budget Officer, as outlined in the *Parliament of Canada Act*.¹

Without a doubt, fiscal year 2018-19 was a year of growth and transition. My predecessor, Jean-Denis Fréchette, left the Office with a strong foundation, which ensures that we are well positioned to successfully deliver on the two distinct mandates given to us by Parliament.

Since I took on the role of the PBO in September 2018, the Office has continued its commitment to serving Parliament with integrity and professionalism through the provision of independent, credible, and non-partisan financial and economic analysis on a timely basis.

Over the past fiscal year, we have provided in-depth analysis on the state of the Canadian economy, the sustainability of government finances, and the cost of various legislative initiatives and federal programs as set out in the *2018-19 Work Plan*. We also made significant gains in strengthening and enhancing the Office's analytical and economic modelling capacity.

In anticipation of the upcoming federal election, we continued to work diligently to be ready to provide financial cost estimates of election campaign proposals, with the utmost commitment to security, confidentiality, and equality.

While acknowledging that the activities reported here also reflect the accomplishments of my predecessor, I am proud of all that the Office achieved in 2018-19.

It has been my honour to work with an exemplary team of professionals. We look forward to continuing to provide relevant and accessible financial and economic analysis to parliamentarians and Canadians.

Yves Giroux
Parliamentary Budget Officer

1. Mandate and activities

As a result of amendments made to the *Parliament of Canada Act* in 2017, Parliament has given the PBO two distinct mandates:

1. When Parliament is not dissolved:

The PBO provides independent economic and financial analysis to the Senate and House of Commons, analyzes the estimates of the government and, if requested, estimates the financial cost of any proposal over which Parliament has jurisdiction.

2. During the 120-day period before a fixed general election or when Parliament is dissolved for a general election:

The PBO provides political parties, at their request, with estimates of the financial cost of election campaign proposals they are considering making.

Mandate when Parliament is not dissolved - Providing independent economic and financial analysis to the Senate and the House of Commons

During the 2018-19 fiscal year, the PBO published 35 reports, including supplementary analyses, the PBO's 2019-20 Work Plan and the 2018-19 Report on Activities. Of those reports, approximately one-third were requested by members of Parliament, or committees of the Senate or the House of Commons. The remaining two-thirds were undertaken on the PBO's own initiative.

Independent economic and financial analysis

The *Parliament of Canada Act* provides that the PBO may prepare reports containing the PBO's analysis of the budget, an economic and fiscal update, a fiscal sustainability report or the estimates.²

The PBO may also prepare reports on matters of particular significance relating to the nation's finances or economy that are listed in the PBO's annual work plan tabled in the Senate and the House of Commons.³

In 2018-19, the PBO published 13 regular reports and analyses:

- Fall and spring economic and fiscal outlook and supplementary analyses (3 reports);⁴
- Summer and winter economic and fiscal monitors (2 reports);
- Summary of issues for parliamentarians raised by the budget and the fall economic statement (2 reports);

- Analyses of the main and supplementary estimates (3 reports);
- Labour market assessment report and supplementary analysis (2 reports); and
- A fiscal sustainability report.

In addition to the regular reports, in 2018-19, the PBO published 10 stand-alone reports, some of which supplemented regular reports, while others provided analysis of specific matters related to the nation's economy or finances:

- An analysis of the borrowing act and measures of federal debt;
- An analysis of the lifecycle costs of the F-18 aircraft;
- An analysis of Canada's purchase of the Trans Mountain Pipeline;
- An update on the impact of phase 1 of government's infrastructure plan on provinces and municipalities;
- A comparison between the PBO and the Department of Finance's long-term economic and fiscal projections;
- An analysis of patent restoration and the cost of pharmaceuticals;
- A report describing PBO's approach to measuring potential GDP;
- A technical description of a "personnel generation" model that estimates and forecasts military personnel costs in preparation for the financial costing of election campaign proposals.

In order to assess internal capacity and processes ahead of the upcoming 2019 federal general election, the PBO also completed and published the results of its preparatory costing exercises, detailed further in the section that follows:

- Costing Budget 2018 Measures;
- Costing 2018 Fall Economic Statement and Off-Cycle Measures.

Independence, relevance and non-partisanship The PBO's analysis informs debate

On October 17, 2018, the Cannabis Act, which legalizes and regulates the cultivation, distribution, sale and consumption of recreational cannabis in Canada came into force.

The PBO's report, "Legalized Cannabis: Fiscal Considerations," published in November 2016, before the federal government introduced the legislation in Parliament, provided parliamentarians and Canadians with reliable, independent economic and fiscal analysis, notably on potential revenues from the legalization, helping to inform parliamentary, as well as the public debate.

This report highlights just one of the many examples of how the PBO's timely work serves to raise the quality of debate.

Find out more in the pages that follow and by visiting our website: www.pbo-dpb.gc.ca

Reports resulting from requests for analysis and estimates from members and committees of the Senate and the House of Commons in 2018-19

In 2018-19, the PBO received 29 requests for financial analysis and cost estimates from parliamentarians. The PBO also received several informal requests and questions over the course of the fiscal year.

In 2018-19, the PBO published 9 reports that were undertaken at the request of Senators, MPs or Senate or House of Commons committees:⁵

- Analysis of the cost differential between three regimes of Veterans Benefits, requested by several members of the House of Commons;
- Analysis of the implementation of the first phase of the government's infrastructure plan, requested by the Standing Committee on National Finance of the Senate;
- Cost estimate for *Bill C-399, Fairness for Persons with Disabilities Act*, requested by Tom Kmiec, MP (Calgary, Shepard);
- Cost estimate of irregular migration across Canada's southern border, requested by Larry Maguire, MP (Brandon – Souris);
- Cost estimate of the reduction in federal income tax rate, requested by a member of the House of Commons;
- Cost estimate for *Motion M-141, Amending the Employment Insurance Act*, requested by Irene Mathyssen, MP (London-Fanshawe);
- Cost estimate of the taxation of employer-provided health benefits, requested by two members of Parliament;

- Cost estimate for *Bill C-394, An Act to amend the Income Tax Act (parenting tax credit)*, requested by the Standing Committee on Finance of the House of Commons;
- Cost estimate of a national guaranteed basic income, requested by Pierre Poilievre, MP (Carleton).

Mandate during the period before a general election - Preparing estimates of the financial cost of election campaign proposals

Under the *Parliament of Canada Act*, for the 120-day period before a general election, the PBO is obligated, upon request of a recognized political party or independent member of the House of Commons, to prepare estimates of the financial cost of their election campaign proposals. Once Parliament is dissolved for the general election, the PBO must discontinue work on all requests by committees and members.⁶

The next general election is scheduled for October 21, 2019. For the first time in Canadian history, political parties and independent members will be able to ask the PBO to provide a financial cost estimate of any election campaign proposal they are considering.

Since this pre-election period is in the 2019-20 fiscal year, most of the PBO's analytical resources in 2018-19 were allocated to the PBO's mandate to provide economic and financial analysis to the Senate and the House of Commons. However, in 2018-19, the PBO worked diligently to prepare for the successful delivery of new election costing mandate.

The Office's internal analytical capacity was enhanced through the development of new economic models to estimate the financial cost of election proposals on topics that have been part of past electoral campaigns and are therefore likely to be raised in 2019. Major capacity building efforts in areas such as national defense, carbon taxes, pharmacare and dental care, pensions, housing, student financial assistance, and personal and corporate taxation were undertaken and completed. The PBO's strengthened analytical capabilities allows more analysis to be completed in-house, reinforcing the Office's independence

The PBO conducted test runs of the election proposal costing process by using the government's Budget 2018 and 2018 Fall Economic Statement. These exercises were done to ensure the PBO's capacity to cost a variety of policy indicatives, in a short period of time. The results were published in the *Costing Budget 2018 Measures* and *Costing 2018 Fall Economic Statement and Off-Cycle Measures* reports.

Following stakeholder consultations in November 2018, the PBO released *Estimating the Financial Cost of Election Campaign Proposals: A Framework*,

to provide transparency on how the election proposal costing mandate will be delivered during the 2019 general election.

The PBO also worked closely with departments to secure access to information and other assistance necessary to prepare best possible estimates. Cooperation agreements or Memoranda of Understanding (MOUs) were signed with the Department of Finance and Employment and Social Development Canada (with more signed after the end of the reporting period). These agreements contain strict protocols which ensuring the confidentiality of the requests made by political parties and timely access to information.

2. Information access

Although some of the information the PBO needs to prepare economic and financial analysis is publicly available, much of it is not.

Under the *Parliament of Canada Act* the PBO “is entitled to free and timely access to any information under the control of the department or parent Crown corporation that is required for the performance of his or her mandate.”⁷

While it is often possible for the PBO to prepare an estimate of the cost of implementing a bill without having access to the government’s data, it will often be more costly and time-consuming to do so, potentially reducing the resources available to respond to requests from parliamentarians and committees. Having access to the government’s data will often improve the quality of the PBO’s estimate and make it more useful to parliamentarians.

If a government department or Crown corporation refuses to provide access to information, the PBO can notify the Speakers of the Senate and of the House of Commons or any appropriate committee of either House or both Houses.⁸

The PBO expects that if he were to give such notice, the Speakers, and the Houses over which they provide, would assist the PBO in obtaining access to the information the PBO requires to provide relevant analysis in support of the Senate and the House of Commons.

2.1. Exceptions

The PBO is not entitled to access information that falls under five limited exceptions:

- personal information whose disclosure is restricted under section 19 of the *Access to Information Act*;⁹
- information protected by solicitor-client privilege or professional secrecy of advocates and notaries or by litigation privilege;¹⁰
- information whose disclosure is restricted under any provision set out in Schedule II to the *Access to Information Act*;¹¹
- information that is a confidence of the Queen’s Privy Council for Canada as defined in subsection 39(2) of the *Canada Evidence Act*;¹² and
- information whose disclosure to the PBO is specifically restricted under another federal statute.¹³

The PBO remains of the opinion that providing relevant and timely analysis to the Senate and the House of Commons requires access to certain Cabinet confidential information. This includes the government's estimate for the cost of implementing bills before Parliament and gender-based analysis of those bills.

Additionally, the PBO is concerned that the exception based on *Schedule II of the Access to Information Act* may be inadvertently narrowing the PBO's access to information. There is clearly scope for improving the PBO's access to information held by Government organizations.

2.2. Information requests in 2018-19

During 2018-19, the PBO submitted 61 information requests to government departments and Crown corporations.

The PBO received all the information requested in 51 of these requests and did not receive all requested information in the remaining 10. This represents an 84% response rate, which is significantly higher than in 2017-18, which had an average response rate of 68%.

In the 10 requests for which the PBO did not receive all requested information, there were two in which the requested information was not available from the department; six in which a department provided only part of the information requested (often because the remaining information was not available); and only two in which the department refused to provide the requested information.

Fiscal year	Requests	Response rate
2009-10	20	50%
2010-11	27	78%
2011-12	52	79%
2012-13	116	36%
2013-14	150	55%
2014-15	55	51%
2015-16	14	86%
2016-17	65	90%
2017-18	60	68%
2018-19	61	84%

3. Performance

3.1. Debates and committee meetings

In 2018-19, the PBO and the work produced by his office were mentioned 438 times in the Senate and House of Commons debates. The PBO was mentioned 565 times in House of Commons committee meetings, including appearances by the PBO before committees.¹⁴

The use of the PBO's analysis to inform parliamentarians' contributions to debate and committee proceedings is one of the more visible forms of support to parliamentarians.

3.2. PBO's committee appearances

In 2018-19, the PBO or his staff appeared on five occasions before Senate committees and on six occasions before House of Commons committees.

The PBO's semi-annual economic and fiscal outlooks for the Standing Committee on Finance of the House of Commons, as well as the analysis of the implementation of the government's infrastructure plan are two examples which demonstrate how the PBO and his staff can use their specialized expertise to support the work of parliamentary committees. The PBO welcomes opportunities to appear before parliamentary committees to discuss potential requests the committees might make of the PBO in support of their studies.

Independence, relevance and non-partisanship The PBO's analysis supports committee work

Status Report on Phase 1 of the Investing in Canada Plan

At the request of the Standing Committee on National Finance of the Senate, the PBO continued tracking the implementation of the government's infrastructure funding plan, publishing a status report in August 2018 and appearing before the committee in October 2018.

The PBO also appeared before the Standing Committee on Transport, Infrastructure and Communities of the House of Commons to provide a briefing on its findings.

An update on the impact of the federal government's infrastructure plan funding on provincial and municipal capital investments was published in March 2019.

3.3. Outreach to Canadians

In 2018-19, the PBO continued to promote greater budget transparency and accountability by communicating its findings to the public and the media. This open and accessible approach allows the PBO to better serve parliamentarians who can speak to the PBO's reports knowing that the public is aware of them.

Over the course of the fiscal year, the work of the PBO was mentioned over 2,000 times in the media, underscoring the relevance of the PBO's analysis in contributing to the public discourse.

Independence, relevance and non-partisanship The PBO provides accessible and reliable information

Canada's purchase of the Trans Mountain Pipeline – Economic and Financial Considerations

In January 2019, the PBO published an independent valuation of the government's purchase of the Trans Mountain Pipeline. This report demonstrates how the PBO's work promotes greater budget transparency and accountability by providing parliamentarians and Canadians with reliable financial and economic analysis on important issues.

This report was followed by supplementary analysis published in response to additional questions raised by parliamentarians.

4. Financial information

The budget process for the PBO is established in the *Parliament of Canada Act*. Before each fiscal year, the PBO prepares an estimate of the budgetary requirements for the year. The estimate is considered by the Speaker of the Senate and Speaker of the House of Commons and, if approved by both Speakers, transmitted to the President of the Treasury Board, who lays it before the House with the estimates of the Government of Canada for the fiscal year.

Financial Resource Summary (thousands of dollars)				
Program Activity	2017-18 Actual Spending	Main Estimates	2018-19 Total Authorities	Actual Spending
Economic and fiscal analysis	1,819	6,983	6,983	5,047
Contributions to employee benefits plan	166	631	631	384
Total	1,985	7,614	7,614	5,431

Notes

1. *Parliament of Canada Act*, s 79.22.
2. *Ibid*, s 79.2(1)(a).
3. *Ibid*, s 79.13(1)(b), (3), 79.2(1)(b).
4. The semi-annual Economic and Fiscal Outlook was originally undertaken at the request of the Standing Committee on Finance of the House of Commons, most recently adopted on February 4, 2016. The Economic and Fiscal Outlook is now part of the PBO's annual work plan.
5. Some of these analyses were requested in 2017-18 and some in the previous fiscal year.
6. *Parliament of Canada Act*, s 79.2(5).
7. *Ibid*, s 79.4(1).
8. *Ibid*, s 79.42.
9. *Parliament of Canada Act*, RSC 1985, c P-1, s 79.4(2)(a).
10. *Ibid*, s 79.4(2)(b). The professional secrecy of advocates and notaries is a concept in Quebec civil law equivalent to solicitor-client privilege. In accordance with the *Interpretation Act*, RSC 1985, c I-21, s 8.2, the "professional secrecy" aspect of the exception applies in Quebec, and the "solicitor-client privilege" aspect applies in the other provinces and in the territories.
11. *Parliament of Canada Act*, s 79.4(2)(c).
12. *Ibid*, s 79.4(2)(d).
13. *Parliament of Canada Act*, RSC 1985, c P-1, s 79.4(1). Currently, the only such provision is the *Royal Canadian Mounted Police Act*, RSC 1985, c R-10, s 45.47(5).
14. The equivalent figures were not available for Senate committees.