House of Commons Finance Committee – Opening Remarks – March 17, 2021

Good afternoon Committee Members and Happy St. Patrick's Day. Thank you for the opportunity to appear to discuss Bill C-14. My name is Kim Moody. I am a Chartered Professional Accountant and the CEO and Director of Canadian tax advisory services for Moodys Tax Law and Moodys Private Client in Calgary, AB. I have a long history of serving the Canadian tax profession with a variety of leadership positions including Chair of the Canadian Tax Foundation, co-Chair of the Joint Committee on Taxation of the Canadian Bar Association and CPA Canada, and Chair of the Society of Trust and Estate Practitioners for Canada to name a few. Given the limited time we have this afternoon, I'm going to keep my opening remarks short and comment on two matters – the proposed amendments to the Borrowing Authority Act contained in the Bill and the fact that Canadians are now approaching the second anniversary of the last federal budget presented to Canadians.

Let's start with the proposed amendments to the Borrowing Authority Act ("BAA"). While I'm a tax specialist and not a BAA expert, currently section 4 of the BAA provides that the total amounts of debt must not exceed $1,168,000,000,000 at any given time. This limit is subject to certain exceptions as provided for in section 4 and in conjunction with section 6 of the BAA. Bill C-14 proposes to amend both sections 4 and 6 of the BAA with the highlight amendment being to increase the upper current limit to $1,831,000,000,000. That is an increase of $663,000,000,000 or 56.7% from its current ceiling. A very material increase.

With exceptions provided for by section 6, I guess the question is why the need today to increase the ceiling so substantially? Where's the plan? Is the government intending to utilize that increased borrowing capacity? If so, again, where is the plan? And shouldn't that be accompanied by a financial budget? (More on that later). And what will such increased borrowing do to inflation and interest costs? Is that part of the plan too? And what about the plan to repay this debt? Does it include a reasonable repayment period that will not saddle our children's future with high borrowing costs that compromise essential government services? How will this increased borrowing capacity affect our country's taxation policies? Will we see across the board tax increases? Or will the wealthy be asked to pay "just a little bit more" thus causing even more capital flight to greener pastures?

What is being asked to be passed in Bill C-14 can be depicted in an overly simplistic example. Consider the case of Mr. Apple. He has lost his job as a result of his employer being forced to shut down because of strict public health restrictions. Mr. Apple's savings are rather modest and he does not have the ability to pay his ongoing bills so he applies for and receives various government support programs. However, the support he receives is not enough for Mr. Apple to maintain the lifestyle that he is accustomed to. Being the rational person that Mr. Apple is, he develops a plan and makes necessary adjustments to his lifestyle, cuts back on non-necessities and ultimately tries hard to survive on the reduced income that he has. Eventually, Mr. Apple is able to secure new employment and slowly get back to the lifestyle that he is accustomed to.

Now consider the situation of Mr. Apple's friend – Mr. Orange. Mr. Orange is in the exact same situation of Mr. Apple – he lost his job and does not have enough savings to maintain his normal lifestyle. However, instead of cutting back non-essential expenditures like Mr. Apple, he applies to get his credit card limit increased by 56.7%. That's a substantial increase to Mr. Orange's existing credit card limit. For some reason, the credit card issuer/ lender decides to grant Mr. Orange's request. Mr. Orange now has the ability to borrow a lot more money and he does - so that he can maintain his existing lifestyle. Mr. Orange has no plan to repay….he simply wants to maintain his lifestyle. Mr. Orange eventually reaches the maximum of his credit card limit and has a large debt to pay. The credit card company is charging interest which is adding to the debt. Mr. Orange eventually returns to normal employment but his earnings are not sufficient to materially reduce the debt. Mr. Orange has a problem and he falls behind on making his normal payments. The credit card company demands him to repay but he cannot. His options are limited and ultimately all of the options are ugly.

In the above scenario, who is in a better spot? Well, obviously Mr. Apple. And for Canada, who do we want to be comparable to? Obviously Mr. Apple with a plan and a path forward. Do we have a plan with respect to the increased ceiling amount under section 4 of the BAA. If so, it's not obvious to me. Canadians need that plan.

That leads me to my second and final comment.

March 19, 2019….does that date mean anything to anyone? Well, it should. That was 730 days ago. That was the last time that the federal government released a budget and that's a record. Our government continues to use COVID as the excuse for not releasing a plan. But, as former parliamentary budget officer Kevin Page said in October 2020:

> "(*Budgets) are fiscal plans. And to say that, 'because there's too much uncertainty, we're going to manage without a plan', is kind of bizarre," Page said. "The reason we have plans is because there is uncertainty*."

Absolutely agree. In this day and age of uncertainty, a fiscal budget and plan is needed. And the recent November 30, 2020 Fall Economic Statement is not that plan. As esteemed economist Dr. Jack Mintz stated in the National Post on December 3, 2020:

"I was hoping our new minister of finance, once a fine journalist, might produce a fall fiscal statement written clearly and to the point. Instead, we are treated to 237 pages of repetitive back-slapping and cliché-laden phrases that few will bother to read."

I agree. As Kevin Page stated in a CBC News article on December 6, 2020 (after the release of the Fall Economic Statement:

"We don't really have a good view — almost no view — of the government spending today. We have estimates of what the government thinks it will spend for 2020, 2021," said Page, who now heads the University of Ottawa's Institute of Fiscal Studies and Democracy. "But those are not the actual monies that are going out the door."

Accordingly, it is critical for our country's fiscal future to develop a well thought out budget and to do it quickly. Transparency and accountability are not luxuries….they are requirements for Canadians.

Thank you….I'd be happy to take questions.