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FINANCIAL ADMINISTRATION ACT

Bill to Amend—Second Reading—
Debate Continued

Speech by:

The Honourable Diane Bellemare

Thursday, March 24, 2016

THE SENATE

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BILL TO AMEND—SECOND READING—
DEBATE CONTINUED

Hon. Diane Bellemare: Honourable senators, first, I would like to congratulate my colleague Senator Moore for his tenacity in promoting the adoption of this bill that would amend the Financial Administration Act regarding the borrowing of money. As you know, this is the third time that Senator Moore has introduced this bill in the chamber, and he was certainly heard by the Minister of Finance.

[*Translation*]

As some of you noticed, on page 209 of the English version of the budget it says:

In 2016-17, the Government will propose legislative amendments to require Parliamentary approval of Government borrowing to enhance transparency and accountability to Parliament.

Colleagues, this new piece of information makes review of Bill S-204 even more important and I will try to explain why.

First, let's look at the path this bill has taken. This is the sixth time this bill has been introduced in the Senate, each time under a different number. That might be a record. Let me give you the legislative background.

During the second session of the 39th Parliament, Bill S-236 was introduced by Senator Lowell Murray on May 5, 2008. On June 6, the senator made a speech to move second reading.

During the second session of the 40th Parliament, Bill S-221 was introduced, again by Senator Murray, on February 2, 2009. On March 3, 2009, following his speech at second reading, Senator Gerald Comeau moved adjournment of the debate and did not deliver any speeches thereafter.

During the third session of the 40th Parliament, Senator Murray brought this bill back to this chamber on March 23, 2011. The bill was assigned number S-229. No additional speeches were made.

Senator Murray retired from the Senate on September 26, 2011. That is when our colleague, Senator Moore, picked up where Senator Murray left off.

On March 21, 2013, during the First Session of the Forty-first Parliament, Senator Moore introduced Bill S-217, the forerunner of Bill S-229. The bill was debated at second reading and studied by the National Finance Committee. A report was tabled here on June 21, 2013, but it was not unanimous. In committee, senators recommended that the Senate not advance this bill to third reading. The committee cited a flaw in Bill S-217, but Senator Day, who was then chair of the National Finance Committee, said that the flaw had not been specifically identified by the witnesses. On June 26, 2013, debate was adjourned, and the report was never put to a vote.

During the Second Session of the Forty-first Parliament, Bill S-204 was reintroduced on October 23, 2013, and referred to the Standing Senate Committee on National Finance. The committee spent its April 8, 2014, meeting studying the bill. Its study of the bill was never completed.

Bill S-204 returned to the Senate on December 8 of last year.

This bill was reintroduced because the work was never finished.

Bill S-204 would once again give Parliament — the House of Commons and the Senate — the power to authorize government borrowing. In other words, it would give Parliament back the power to study and authorize any increase to the national debt and the Debt Management Strategy. This is no trivial matter.

Let us remember that Parliament was relieved of this power when the 2007 budget implementation bill was passed. At that time, the government amended the Financial Administration Act to eliminate Parliament's oversight. Instead, the House of Commons adopted the Debt Management Strategy to be tabled along with the budget and the Debt Management Report to be tabled with the Public Accounts.

Effective as of 2007, the Senate and the Standing Senate Committee on National Finance are no longer asked their opinions on these issues. The House of Commons has also lost its right to provide oversight. Simply put, the government no longer needs to consult Parliament or obtain its approval in order to take out new loans.

I was a member of the National Finance Committee when Senator Moore's bill was discussed in 2013 and 2014. I have to admit that my training as an economist led me to see the arguments presented by public officials who claimed that the new government loan process would be more effective, more flexible and more transparent in a rather positive light.

I moved for the adjournment of this debate in December because I wanted to gain a clearer understanding of the issue and find out why there was such determination to pass the bill by Senator Moore, whom I greatly respect.

At the committee meetings held in 2013 and 2014, some witnesses explained that this bill raises an important issue that should absolutely be debated in this chamber. I am talking about the role that parliamentarians should play with regard to oversight of the executive branch and, in particular, the management of the public debt. In reality, Bill S-204 supports a principle that is essential to the integrity of our parliamentary system. It seeks to correct a law that was passed without debate in 2007. This law diminished the role that Parliament plays in overseeing the government and the executive branch, which seriously undermines the principle of responsible government.

As you know, in the 19th century, Canadians fought for recognition of the principle by which the executive would require Parliament's approval to spend money, raise public funds and

borrow money. The principle of responsible government forms the foundation of our parliamentary system, in which cabinet, made up of government members of the House of Commons, is accountable to the House of Commons and to Parliament.

As I mentioned, the 2007 change stripped powers from Parliament, and this change was never debated when the omnibus budget implementation bill was passed. The senior officials who testified at the National Finance Committee in 2013 and 2014 confirmed that this change would make the public service and the borrowing authority more effective. They emphasized “the important part the current borrowing authority process played in facilitating Canada’s actions in the fall of 2008 to the global financial crisis.”

In other words, in 2007, Parliament, without truly knowing it and without debate, ceded some of its government accountability powers in order to give civil servants and the Minister of Finance increased freedom of action. In 2007, Parliament threw the baby out with the bathwater.

I’ve been wondering for a while now why the National Finance Committee’s studies on the estimates and the budget implementation bill did not seem to provide for full accountability. Since I became a member of this committee, not once have we discussed the government’s financial statements, and not once have we checked to see if the books balance. We analyze what the government intends to do, but never analyze what it does do.

Part of the answer to that question is that, since 2007, the National Finance Committee and the Senate have never analyzed the Debt Management Strategy or the Debt Management Report.

As Senator Day cautioned in this chamber in 2014, if the sole focus is always effectiveness, Parliament could be discarded and the executive would take over.

Colleagues, in the current economic context, with the government announcing that it expects to run rather large deficits, the debt will inevitably increase and the debt-to-GDP ratio might also increase, along with interest charges on the debt. There is no cause for alarm at this point, but no one knows what the future will bring. While running deficits to stimulate the economy may be the right thing to do for now, the debt must nevertheless be carefully managed. We need to make sure that this borrowing does in fact stimulate the economy.

As you know, colleagues, interest rates are very low right now, but they could rise and push up debt charges, which would considerably limit the government’s flexibility to pay for current expenditures. In addition, if the public debt is held in U.S. dollars, managing the debt could become a real nightmare, as has happened in the past.

In studying this bill, I had to wonder if my sudden interest was being driven by economic conditions or if it was based on more universal principles. In fact, the present situation is what led me to see the bill’s merits. When the economic outlook is more promising this bill will be just as pertinent because it will always touch on fundamental parliamentary principles.

Honourable senators, I support the principle of Bill S-204. We must again debate this bill in committee and in this chamber. Our debate should not focus on the reasons that led the previous

government to abolish certain elements of the principle of responsible government, but rather on how to re-establish Parliament’s oversight of debt management and borrowing. I believe that Parliament created a serious democratic deficit by adopting the amendment proposed in the 2007 omnibus bill.

As Senator Day said in 2014, “think about this”:

If the executive has authority to go out and borrow whenever they want, and they now do, they could bankrupt this country. They could borrow and keep borrowing without any parliamentary approval. They could do that without Parliament, which will be responsible if the country is bankrupt and responsible if too much is borrowed. We are the ones, especially the House of Commons, who will take all of the blame for this, but we have none of the rights to control the borrowing.

Fortunately, Senator Day, this will not happen, because Parliament will have a say.

In fact, the democratic deficit created in 2007 will be fixed by the next budget implementation bill. Evidently, this was announced. The new government, the same government that is anticipating a deficit of almost \$30 billion, will ask us to approve how it manages the debt.

How can such a democratic deficit be fixed? What can be done to truly ensure that Parliament authorizes the borrowing of money? How can we strike a balance between democratic and parliamentary principles, transparency and effectiveness? That is a big question.

I took a quick look at the provisions regarding borrowing authority in the provinces. With the exception of Ontario and Quebec, none of the provinces authorize the government to take out loans unless it meets certain conditions. Every province’s laws regarding public finances or financial administration include certain conditions that the executive must meet in order to borrow money. For example, sections 18, 21 and 23 of Ontario’s Financial Administration Act indicate that cabinet must have the express approval of the Legislative Assembly in order to borrow money, except for activities already set out in the act, such as the payment of loans, securities or expenditures for a period not exceeding 12 months from the time the Legislative Assembly is dissolved, or the payment of debts or obligations. In these provinces, the government cannot just borrow money whenever it wants. It must have authorization from the provincial parliament.

Honourable senators, we need to correct the democratic deficit that we helped to create in 2007, but do we want to start again at square one with the situation that existed prior to 2007? Is that the only option?

I’m sure we can come up with other solutions. For example, the Financial Administration Act could be amended so that Parliament would have to approve the Debt Management Strategy and the Debt Management Report. Such a measure would ensure that the Standing Senate Committee on National Finance examined and reported on those documents and that this chamber approved them and the committee’s own findings.

We could also stipulate that any borrowing that increases the debt-to-GDP ratio be subject to Parliamentary approval. Those are some of the options — and there are others — that we could

examine. They wouldn't hinder the efficiency, flexibility, and transparency of debt management and could be included in Bill S-204.

I move that Bill S-204 be passed at second reading and referred to the Standing Committee on National Finance so that we may discuss any amendments to the bill that might address the democratic deficit, while recognizing the merits of efficiency and flexibility that we tried to address in 2007. We must take

advantage of the government's openness to this matter and discuss concrete terms that could be included in new borrowing approval legislation.

Thank you.

(On motion of Senator Marshall, debate adjourned.)
