House to House

Report from Parliament
December 2025

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BUDGET 2025: RECYCLED PROMISES

The 2025 budget - delivered fully seven months into the 2025-26 fiscal year, and eighteen months after the last one in April 2024 - was disappointing for Canadians who expected the Prime Minister to keep his promise not to increase the national deficit and rein in the Liberal Government's spending.

Canada's new Prime Minister ran in the 2025 election promising to be a better financial manager. He distanced himself from the economic disasters of his predecessor, promising rapid paced "generational investments" that would transform Canada's economy and address the cost of living crisis. But the November 4 budget contained recycled 2015 election promises packaged within the biggest non-pandemic deficit Canada has ever seen.

In 2015, the year the Liberals took office, the Harper government had balanced the budget after successfully steering Canada through the post 2008-09 financial crash. **That year, the *New York Times* congratulated Canada for having the world's most prosperous middle class.** Prime Minister Harper had run a disciplined government, one focused on core government services and responsibilities.

In that 2015 election, the Liberals promised to run modest deficits for three years to fund investments that would boost productivity and allow the budget to "balance itself". That was the year the Liberals destroyed the consensus that successive Liberal and Conservative governments shared: that deficits matter, that debt matters, that fiscal discipline matters, that productivity matters, and that all of these things directly impact everyday Canadians and their quality of life.

Their promises fell woefully short. The budget was never balanced since 2015 and the national debt doubled. Canada now spends more on annual interest payments on the debt ($55.6 billion) than we spend on health care transfers ($54.7 billion). Sharply increased debt from this budget will only make those interest payments go up and up again.

Quality of life has declined. Canada's per capita GDP (a measure of individual prosperity) has the lowest growth of any country in the OECD (save Luxembourg) or in the G7. Our peer countries have improved their standards of living, while Canada has not. In Canada, housing and food are increasingly unaffordable, unemployment is rising, and investment is fleeing to other jurisdictions.

Yet the Liberals pulled out the same bag of promises they made in 2015, adding a new accounting trick, while projecting a $78 billion deficit. The deficit is double what was projected in Justin Trudeau's last budget ($38.9 billion). It is nearly double the deficit that provoked former Finance Minister Chrystia Freeland's resignation over last year's Fall Economic Statement, and it breaks Prime Minister Carney's promise that this budget's deficit would not exceed $42.3 billion.

This simply will not work for Canadians.

Pat Kelly

Inside

- Key components of the 2025-26 budget
- What is a fiscal anchor, and why should we pay attention to it?
- Accounting trick obscures the real picture
- Energy Policy Missing in Action
- Around Calgary Crowfoot

KEY COMPONENTS OF BUDGET 2025

Highlights from Budget 2025-26, tabled on November 4. Note that this is the budget for THIS fiscal year - which is already seven months old - not the plan for NEXT year. Last year the Liberals did not even table a budget.

- The **annual deficit** has climbed to an astounding $78.3 billion. In the last budget (April 2024), it was projected to reach $38.9 billion this year. *The budget was balanced when the Liberals took office in 2015.*
- Canada's **accumulated debt** will reach $1.35 trillion this year. In 2015, the accumulated debt from Canada's first 148 years was $612 billion. *It has more than doubled in just ten years.*
- This budget projects **another $321.7 billion** to be added to Canada's debt over the next five years. *That's $73 million per hour.*
- **Annual interest payments** rise to $55.6 billion this year, compared to $54.7 billion in health care transfers. For context, Canada collects $54.4 billion in GST - *every dime you pay in GST goes to banks and bondholders in debt service charges.*
- The budget identifies **five priority areas** for new spending:
  - **Infrastructure & Nation-Building Projects** vaguely described as capital investment that includes over $94 billion in corporate income tax expenditures, investment tax credits, and corporate subsidies reclassified as "capital spending".
  - **Clean Energy & Climate Transition** including expanded tax incentives and accelerated depreciation for clean energy investments, and funding for renewable energy projects.
  - **Housing** totalling an estimated $13 billion (reannounced) over five years through the new *Build Canada Homes* bureaucracy and several niche programs.
  - **Innovation & Productivity** subsidies in research, technology, and competitiveness to counter trade uncertainty and slow growth, to be disbursed through various "funds" outside Parliamentary scrutiny.
  - **Defence & Security** re-announced spending on much needed equipment modernization and pay increases for Armed Forces personnel.

Photo: Calgary, November 12, 2025

Mr. Speaker: 10 years after the Liberals promised transformational, generational public expenditures [in 2015] to boost productivity, but delivered the lowest per capita growth in the G7 and the OECD, they have tabled a budget promising the same broken promises recycled from 2015.

"Let there be no misunderstanding. This is a credit card budget.

"The Liberals have tabled a budget, the first in nearly two years, that sets a new non-pandemic record of $78 billion in deficit expenditure."

Pat Kelly MP
House of Commons, November 21, 2025

- **Unemployment** is projected to be persistently high, averaging 6.4% over the next five years.
- **New spending** is pegged at $141 billion, offset by a promised (but not yet planned) $60 billion in savings through a modest decline in the size of the public service through attrition, and "efficiencies" yet to be identified. *This new spending adds the equivalent of $5300 in debt for every Canadian family over the five year budget horizon.*
- The budget predicts **sluggish growth of about 1.1% to 1.2%** in 2025-26; and optimistically projects 1.6% for 2026-27 and beyond. This slow growth is attributed to low productivity, high debt servicing charges, and an unsettled trade environment. The Bank of Canada, however, is predicting negative growth in the range of -0.7 to -1.2.

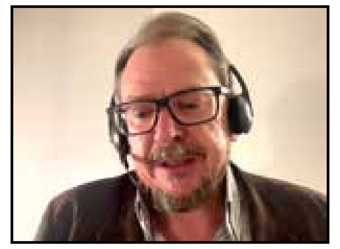
TAX HAVENS COST CANADIANS

Throughout November at the Finance Committee, I questioned a series of witnesses - experts in tax havens - about the loss of tax revenue to Canada when companies use loopholes and sophisticated movement of money to legally avoid paying their Canadian taxes.

It hurts all Canadians when some people or companies avoid taxes they should be legitimately paying. They do this by moving their assets to low-tax countries (havens) - a strategy most ordinary taxpayers can't afford.

The Canada Revenue Agency also gives these taxpayers special treatment by allowing companies with offshore assets months or even years to comply with their obligations. Most small businesses and individuals get 30 days.


Alain Deneault


Jason Ward

Jason Ward, Principal Analyst at the *Centre for International Corporate Tax Accountability and Research*, told the committee: *"Brookfield [Asset Management] is clearly one of Canada's largest tax dodgers. All of Brookfield's operations are essentially funnelled through Bermuda and it has had a very low effective tax rate in Canada and in countries around the world for a very long period of time, which is a clear red flag of tax avoidance."*

Other experts estimate Brookfield's avoided taxes to have been $5.3 billion between 2021 and 2024.

Another witness, **Alain Deneault**, professor at *l'Université de Moncton* and noted author on tax havens, made this comment: *"Most people claiming to fight tax havens, including the Canadian government in recent years, are actors who themselves have benefitted off tax havens."*

Prof. Deneault first raised the issue of avoided tax revenue with the Liberal government in 2016.

Prime Minister Mark Carney was Vice-Chair of Brookfield Asset Management from 2020 to 2022, and Chair from 2022 to 2025. His financial disclosure, published months after he became Prime Minister, included ongoing financial interests in Brookfield.

Scan this QR code to see my exchange with Mr. Ward and Prof. Deneault on YouTube.

New Survey

Do you approve of the 2025 Federal Budget?

☐ NO - the spending, deficit and debt are too high

☐ YES - it is making investments today for future economic benefit

☐ UNSURE

Comments: ______

Survey Responses

Last issue's question was:

Prime Minister Carney has revealed extensive investments, including substantial long term non-liquid interests in Brookfield, the company he formerly Chaired., He says he has taken steps to shield himself from conflicts of interest with a blind trust and conflict-of-interest screens for 103 different companies. Are these steps enough?

20% NO - he should liquidate his assets and have the trustee administer a genuinely "blind" trust where that trustee buys, holds or sells all new assets without his knowledge.

75% YES - we can trust him to remain at arms length from any conflicts.

5% UNSURE

Thank you to everyone who replied.

DO FISCAL ANCHORS MATTER?

What is a fiscal anchor? Why is it important to track performance against an anchor?

A fiscal anchor is a metric that helps government stay on track. If government was a ship, the anchor holds the ship in place. Disconnect the anchor, and the ship drifts aimlessly.

Canadians, and the finance community, expects governments to identify their fiscal anchors - and be bound by them - to ensure fiscal stability and predictability. If the government is off-track, then remedial action should be taken.

For years, this government has consistently cut its fiscal anchor loose whenever it fails to meet its own stated fiscal objectives.

In 2015, the government promised it would anchor itself to a modest $10 billion deficit for three years, to make "generational" investments with a long term payoff. The government was barely a few weeks old when it broke that promise.

It replaced the deficit anchor with a promise that the net debt-to-GDP ratio (the percentage of accumulated debt minus assets as a portion of the country's overall production) would never go up.

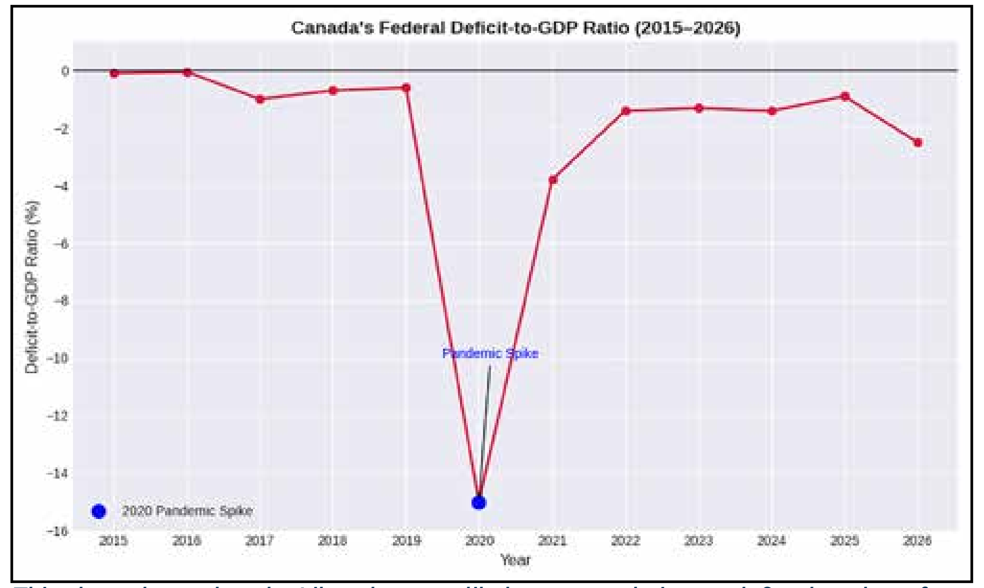
In 2019, they replaced that anchor and said the new one would be retaining our country's AAA credit rating. Then Fitch Ratings downgraded Canada to AA+, and that anchor was abandoned.

They replaced it with a new "guardrail", which was a maximum deficit cap. They blew through that cap in no time, and returned to claiming that the anchor was a declining debt-to-GDP ratio.

In 2025, the Parliamentary Budget Officer found that the ***debt***-to-GDP ratio was *increasing*, not declining.

This 2025 budget cuts loose all of the past fiscal anchors, and claims two new ones: that "operational spending" (day to day expenses) will be balanced with revenue by 2028-29; and they will maintain a declining ***deficit***-to-GDP ratio.

Is this realistic? Based on international stress testing models, the Parliamentary Budget Officer gives the government only a 7.5% chance of achieving a declining deficit-to-GDP ratio.



This chart shows that the Liberals are unlikel.y to meet their own defined anchor of a declining deficit to GDP ratio. It is, in fact, projected to go in the opposite direction.

> **Mr. Speaker: Here we are, 10 years later, and no historic transformational public investments have occurred. During that time, the budget was never balanced and the national debt doubled.**
>
> **"The amount spent on Liberal consultants ballooned out of control despite the federal public service increasing by 100,000 employees, while service levels for Canadians declined.**
>
> **"The armed forces still have rusting ships, 40-year-old fighter jets, only a few dozen operational tanks, and crumbling barracks and housing. The CRA still cannot answer the phone or give accurate information to Canadians..."**
>
> ***Pat Kelly MP***
> ***House of Commons, November 21, 2025***

ACCOUNTING TRICKS

How governments present their fiscal position matters. Consistency in presentation allows accountants and taxpayers alike to make comparisons, and to judge performance using apples-to-apples comparisons.

This 2025 Budget throws that important accounting principle to the wind by dividing spending into "Operational" (day to day) and "Capital" (longer term investments) with definitions chosen by the finance department that are inconsistent with those used by the public accounts, by industry, and with international accounting standards.

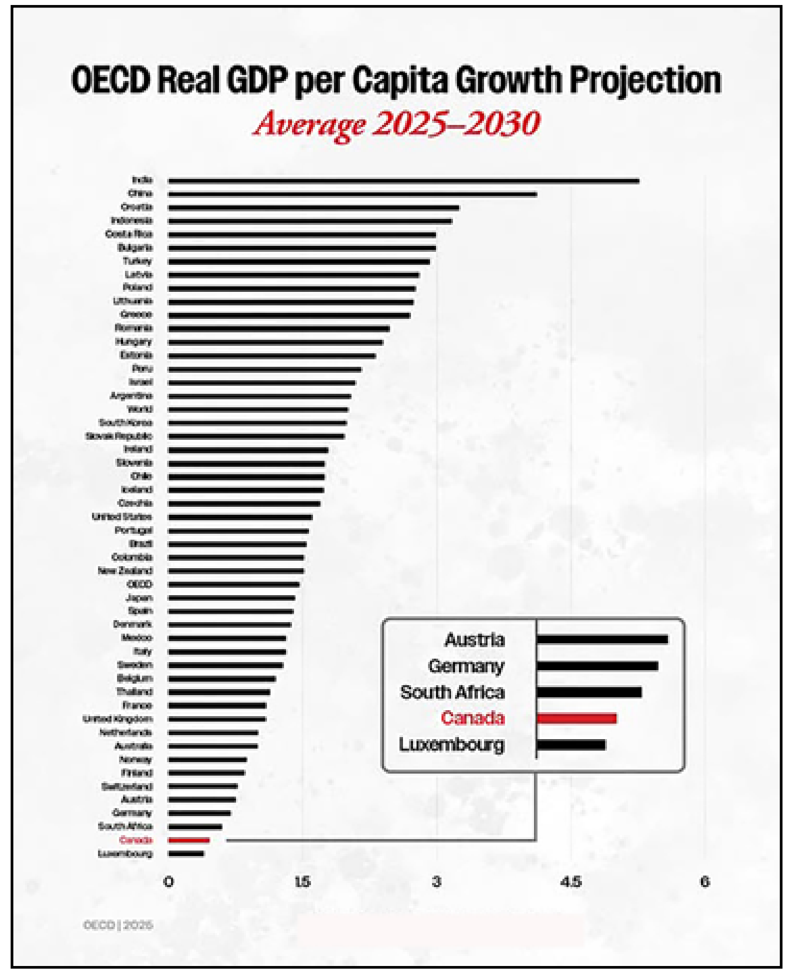
The government says the change makes it easier for Canadians to understand the difference between "expenses" and "investments", but the change raises several concerns:

1. Their **definition of operational versus capital spending is misleading** and allows them to hide operational money in the capital budget. The Parliamentary Budget Officer says their definitiion is "***overly expansive***: $94 billion is listed as capital that should be operational. Only $217 billion of the $311 capital budget is actually "capital" by international accounting standards.

2. This implies they are **deliberately trying to trick Canadians** into thinking they are building infrastructure when they are just hiring bureaucrats or insiders on consulting contracts, or dispensing corporate welfare and calling it capital investment. It allows the Prime Minister to claim he has "balanced the budget" when he has just moved some of it into another envelope. Make no mistake: borrowed money must be repaid - with interest - no matter what you call it..

3. This approach does not follow internationally recognized definitions, so it prevents apples-to-apples comparisons with other jurisdictions, or even comparisons with itself from previous years.

4. This government has done a great deal over the past 10 years to compromise its fiscal integrity (see analysis of the ever-changing fiscal anchors for example). It is now resorting to accounting trickery to try to paint a more favourable picture than is actually the case. Canadians paying the bills deserve a higher level of honesty and transparency.



ENERGY POLICY VAGUE

The budget promises that Canada should become "an energy superpower", but fails to acknowledge tangible steps needed to advance Canada's oil and gas industry.

Oil and gas remains Canada's number one export by a considerable margin, comprising about one-third of our exports. The industry pays an average of $25 billion per year in royalties and taxes, accounts for about 3% to 5% of Canada's GDP, supports 180,000 direct jobs, and contributes unmeasurable spinoff benefits in employment and procurement that supports businesses ranging from steel to local motels.

When a government is this deeply in debt with such bleak prospects for improvement, one might think our top industry would attract encouragement. Not so.

There is no understanding of the need to replace laws, regulations and policies that hold the industry back.

Those would include repealing the Impact Assessment Act (the infamous "No New Pipelines Act"), the west coast oil tanker ban (that applies to Canadian ships but not the many US ships plying the west coast), the oil and gas sector emissions cap that is effectively a production cap, and the industrial carbon tax.

Creating the Major Projects Office was a clear recognition that current laws passed by this Liberal government have made it impossible for industry to obtain approvals for major projects. If Canada needs a new law to exempt projects from existing laws to get anything built, then the existing laws are the problem. A better approach would b removing the obstacles, rather than creating a new. bureaucracy to circumvent them and undermining the rule of law.

As of this writing, the government has announced 11 "nation-building" projects to be fast-tracked by the *Major Projects Office*. Many were already approved, well underway, or previously announced many years ago.

On November 27, Canada and Alberta signed a Memorandum of Understanding to start work developing a possible future pipeline project. While an optimistic first step, it will be judged by if and when there are shovels in the ground, not by announcements.

This budget fails to show private investors how the government will make energy projects viable and confirms that Trudeau era laws remain obstacles to investment.

How Can I Help?

My Calgary and Ottawa offices are open to serve you. Please call, e-mail, or make an appointment in advance, if you have a challenge with a government department, or an issue you wish to discuss.

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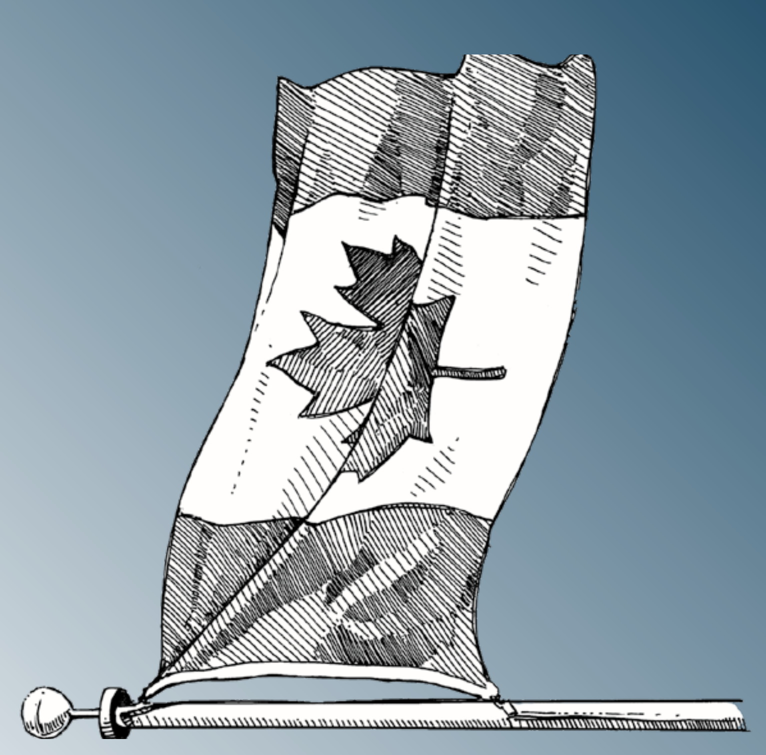
LEST WE FORGET

On November 11, I honoured Canada's veterans and serving men and women by laying a wreath at The Royal Canadian Legion #1 Calgary Branch. I spoke of the obligation of the living to the dead; what those of us who live in peace and freedom owe to those who served and continue to serve: to remember them.



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