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Thursday, April 11, 2002

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Chair

Mr. John G. Williams

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• (1535)

[English]

The Chair (Mr. John Williams (St. Albert, Canadian Alliance)): Good afternoon, everybody.

We were just going to hear from our Auditor General, but before we do that you'll have noticed in the amendment to the agenda for today that we have, from the Committees Directorate, Mr. Marc Bosc, and from the Parliamentary Publications Directorate, Bonita Neri, the director. This is in regard to the proceedings of April 9, 2002, the meeting of the Standing Committee on Public Accounts, where we dealt with the issue of Downsview Park Inc.

Without getting into any of the details, I'm just basically going to ask Marc Bosc, the clerk's assistant, to give us a statement, please.

Mr. Philip Mayfield (Cariboo—Chilcotin, Canadian Alliance): Mr. Chairman, is there a printed copy of that statement?

The Chair: I don't believe there is, no.

Mr. Marc Bosc (Clerk Assistant, Committees Directorate, House of Commons): Thank you, Mr. Chairman and members of the committee.

[Translation]

We've been called here today to explain why the transcript of Tuesday afternoon's meeting is not available.

[English]

On the events of Tuesday afternoon, the meeting you held here, unfortunately the meeting was not recorded, through a series of human errors, which Bonita will explain shortly. I'm here to state that fact, to apologize to the chair and the committee for that unfortunate occurrence, and to explain that this is a highly unusual event and we're very sorry that it happened.

The Chair: Thank you, Mr. Bosc.

Ms. Neri, do you have a statement?

Ms. Bonita Neri (Director, Parliamentary Publications Directorate, House of Commons): Yes, I do, Mr. Chairman.

I echo our apologies on behalf of all of the House of Commons employees who have been involved, in a number of services. We are very apologetic with regard to the impact we've caused you, Mr. Chair, as well as the committee members and witnesses as well.

What happened is a series of human errors that have not happened before in this particular concurrence. We had a particular situation where a special request had been asked for Room 209. A technician had provided this request, whereby the room you were using was put into a caucus mode, which means that no recording or transmission of that recording was in fact to be provided, in order to accommodate a particular request for the previous users of the room.

In order to ensure that the previous users could then record inside the room nonetheless, using their own equipment, meant that the technician had to do a particular bypass to make this all work. At the end of that meeting, unfortunately, the feeds in that room were not re-established.

In addition, the traditional check that is done between the technical people and our recording centre in the Parliamentary Publications Directorate was not conducted. Again, a very rare event. In addition, the proceedings monitors, the people who actually capture the events and turn on the microphones and turn off the microphones.... While there was some audio, the follow-up had not been done on this particular occasion to ensure that there was complete audio. Unfortunately as well, in our recording centre at the Parliamentary Publications Directorate the monitoring that typically occurs, not only before a meeting but during a meeting, also did not occur.

As a result of these factors, we did not end up with an audio from which we build the transcript. In the average of 2,000 recording hours in a given year, the concurrence of all of these events happening at one time is extremely rare.

What we have done is all of the groups have been met with. We have put in other procedures. Between Friday and Monday we will be retraining and providing additional training to people, as is necessary, to ensure that there is not a reoccurrence, not only for this committee but any other committee.

Our apologies.

The Chair: Thank you.

Before we go to Mr. Bryden, there are just two questions I have. Is there any chance you can talk to the press gallery and see if anybody was recording it over there?

Ms. Bonita Neri: In fact, because the room was in a caucus-like mode—

The Chair: There was no transmission.

Ms. Bonita Neri: —there was no audio.

The Chair: Well, it's obvious that nobody was really demanding it and phoning up and saying where was it. Unfortunately, that sometimes happens.

The other question I have is if, without transcript blues of the meeting, Mr. Bosc, it is possible for our committee to continue to write a report based on the evidence that we think we have received.

Mr. Marc Bosc: Absolutely, Mr. Chairman. The committee did hear the evidence and can pursue its work.

The Chair: Okay.

Mr. Bryden.

Mr. John Bryden (Ancaster—Dundas—Flamborough—Aldershot, Lib.): Thank you, Mr. Chairman.

I accept entirely the explanation, but I think it does put the committee in a very difficult position. I don't see how we can write a report. I don't see how this committee can report without a public Hansard. Every deliberation of this committee is vitally important and needs to be part of the permanent record indefinitely.

I would be prepared to put a motion, but I don't know whether that's necessary at this stage. I would like to suggest that perhaps we may, as a committee, have to consider reconvening the committee with the same witnesses and go back over the same questions as best we remember them so there is a permanent record of the testimony that will back up the report this committee makes on that particular meeting.

• (1540)

The Chair: What I was going to suggest, Mr. Bryden.... I have already talked to Mr. O'Neal and Mr. Dupuis, our researchers, and asked them to take notes and start drafting a report based on their recollections. I've given them the authority to talk to all members who were at the committee for their recollections and to draft a report and bring it to the committee.

If the committee feels it is inadequate or if the committee cannot agree on what actually transpired, then it will be referred to the steering committee either to hold a new hearing or whatever they want to do at that point in time.

Mr. John Bryden: Mr. Chairman, with respect, I'm not sure I would agree with that procedure. I think it needs discussion of this group of the committee at large, simply because this is a standing committee of record. While I have complete confidence in the clerks to report as accurately as they are humanly able to, and to talk to the committee members, I still feel that when this committee convenes and hears witnesses, the information it does hear is of permanent importance. I'm not sure I can be satisfied with the procedure you suggested.

[*Translation*]

The Chair: Go ahead, Mr. Desrochers.

Mr. Odina Desrochers (Lotbinière—L'Érable, BQ): I have a few comments I'd like to make. I worked for 18 years in broadcasting and I know that it's critically important to check to ensure that the "record" indicator is moving. I can't quite understand how such a series of technical glitches could have occurred. At the start of any meeting, it's important to verify that the system is working properly. I hope that you will arrange to get these people

some training. This is ridiculous. It's never happened before. How do you think the House of Commons looks after failing to record such an important meeting? Just imagine if the press were to get wind of this. You would come across as a bunch of amateurs. We'll have to wait and see what the fallout will be.

Unfortunately, I wasn't in attendance, but my friend Gilles Perron spoke to me about this incident. I truly hope that this never happens again. I would also like to add, Mr. Chairman, that I find it truly bizarre that this happened last Tuesday, just as the committee was conducting such an important inquiry.

[*English*]

The Chair: Ms. Neri.

[*Translation*]

Ms. Bonita Neri: I totally agree with you, Mr. Desrochers. A very serious mistake was made and I apologize profusely. Something like this has never happened before. We've never lost the transcript of a meeting. An unfortunate series of coincidences conspired to bring us to this point. Again, I apologize to you.

[*English*]

The Chair: Mr. Mayfield.

Mr. Philip Mayfield: I have a couple of questions, Mr. Chairman.

Your name is Mr. Bosc, I believe. You have said there could be a report written. I was wondering what you had in mind as a basis for writing that report. Would it be the memory of the researchers? How did you have in mind gathering the information to do that?

Mr. Marc Bosc: When I say that a report can be written, I'm referring to the procedural impediment, or not, for doing so. I'm not commenting on the content that might be in that report. Rather, I'm commenting on the procedural basis for a report.

In fact, committees could decide to have no transcripts whatsoever of any of their meetings. That's up to the committee to decide.

Mr. Philip Mayfield: I see.

Mr. Marc Bosc: Our practice, obviously, is that all committees choose to have transcripts and choose to have those most of the time in public. So it's strictly a procedural point I'm commenting on.

• (1545)

Mr. Philip Mayfield: All right, that's fine. Okay.

Mr. Chairman, I guess I would like to ask.... Can you ask the people in the—what do you call those seats—the gallery—

The Chair: The gallery. No, you can't ask the people in the gallery.

Mr. Philip Mayfield: But are there recordings? Is there anyone who has made a recording that could be used by our clerks?

No volunteers?

The Chair: No volunteers, no.

Mr. Philip Mayfield: Then beyond that, I'm aware that verbatim reports can be made, and it's usually best to do it pretty soon after the meeting.

The difficulty, Mr. Bryden, with your suggestion is that we may have another meeting, but it will not be the same meeting and it will not be entirely the same information dealt with in the same way as it was at the first meeting. So we can have another meeting, but it won't be a repeat of the same meeting.

I think that was a very good meeting we had, dealing with a very important issue: the importance of Parliament in approving expenditures. I must confess that I think it would be probably more economic and maybe just as efficient—and if it isn't, we can always have a look at it and decide later—and I would be prepared to accept the memory of not only our one clerk who has done the research, but both clerks who were here and listening.

I'm aware that very accurate verbatim reports can be made by people who pay attention to the conversation and follow it through. I've done that in some of my counselling work in previous years. So that would be the basis of my suggesting that we have a look and see what the clerks can do, make a judgment, and if that doesn't work, at that time we consider convening another meeting to go over the same subject again.

The Chair: Mr. Shepherd.

Mr. Alex Shepherd (Durham, Lib.): Mr. Chair, I don't know if you know this or not, but what is the cost of having one of these meetings? Does anybody know that?

The Chair: Were the witnesses all in town, or were they from out of town?

The Clerk of the Committee: Two came from out of town.

The Chair: From where? Toronto?

The Clerk: From Toronto.

The Chair: Two came from Toronto, so let's say \$500 each.

The Clerk: No, we didn't pay—

Mr. Alex Shepherd: Well, I have a tendency to value the time of members of Parliament.

I guess the point I'm trying to make is an argument could be made that there's \$25,000 or \$30,000 lost here to the government.

The Chair: To the taxpayer, Mr. Shepherd.

Mr. Alex Shepherd: To the taxpayer.

I know you're coming here and you're being apologetic, and I understand we can't retrieve what's lost. The question I have is who is responsible, and what kind of disciplinary action has been taken?

The Chair: Ms. Neri.

Ms. Bonita Neri: I take the responsibility for not being able to provide you a transcript. What we have already invoked is we have had a series of sessions throughout the day to ensure that we have pinpointed the specific problems, the specific issues, and that we are taking corrective action, first of all to ensure that this does not happen again. At this point, we have looked at identifying a series of steps we can take on Friday and Monday, when committees are not

sitting, in order to ensure that we are not making this a repeated event.

The Chair: Thank you.

I mentioned a potential solution, and the researchers are already working on it. I've given them the authority to talk to all members of Parliament who were at the committee meeting to get the benefit of their input to write a report. If that report is unacceptable to the committee, then it will be referred to the steering committee to either have a new hearing or to make a decision.

Mr. Bryden is talking about a motion that we re-hear. Am I correct in that, Mr. Bryden, that you're going to make a motion?

• (1550)

Mr. John Bryden: Yes, I would like to make a motion.

The Chair: Okay. We'll get the motion on the floor first.

Mr. Bryden.

Mr. John Bryden: I want to respond very briefly to Mr. Mayfield. I too have a great deal of experience in gathering testimony, and I know that it is always subjective when it's taken by notes. I just feel very, very strongly that this is a committee of record, it has legal connotations, and it is very important to have a transcript of proceedings.

You can hold that meeting that I'm going to propose by this motion any time you like, perhaps after you receive the notes, but I really do believe the witnesses have to come back and at least have the same questions posed to them so that we can have them on the record.

Therefore, I would like to move that this committee recall the witnesses who appeared before the Standing Committee on Public Accounts on April 9.

The Chair: Thank you, Mr. Bryden.

On debate, we'll go to Ms. Leung first.

Ms. Sophia Leung (Vancouver Kingsway, Lib.): Thank you, Mr. Chair.

I think it is very unfortunate this happened, but in the meantime we understand that accidents do happen. I feel that even if we repeat the same meeting, it won't be the same. It's really a waste of effort. The chair gave an alternative solution. Let's try. It was just two days ago. We will still remember. It won't be word by word, but I think this is the consolation sort of solution. I will support Mr. Chair.

The Chair: Mr. Desrochers, please.

[*Translation*]

Mr. Odina Desrochers: Mr. Chairman, we could always recall the witnesses, but we still need a record of Tuesday's meeting. Based on my experience, and I'm sure Mr. Bryden will understand me, from a legal perspective, a preliminary investigation precedes a trial. Often, the preliminary investigation is quite different from the trial. However, the verdict or ruling is ultimately based on both.

If we recall the witnesses, Mr. Chairman, we would still need to take into account what was said last Tuesday by referring to the notes of those in attendance. We cannot recreate a meeting. What's done is done. We can always try to obtain complementary information by recalling the witnesses. However, before we do that, I think we need to read the report —Mr. Perron will be here for that, since I wasn't at the meeting - to ascertain if the statements reported are in fact accurate and if the summary truly reflects what was said at the meeting.

[English]

The Chair: Very good.

Madam Clerk, do we have a quorum?

The Clerk: Yes, we do.

Mr. John Bryden: Mr. Chairman, may I point out that we can defer the voting on this motion until the next meeting. I think it is normal to give a meeting's notice before a motion is voted on.

The Chair: We don't need notice of this.

Mr. John Bryden: We do not?

The Chair: We don't. I don't know how the committee is going to vote—

Mr. John Bryden: Nor do I.

The Chair: —but I think you have a very valid point, Mr. Bryden, and I would hope the committee would take that into consideration.

Monsieur Desrochers is basically suggesting that both my recommendation and yours be done. The committee may want to recognize that too. The key is whether we are going to re-hear the meeting.

Mr. Finlay.

Mr. John Finlay (Oxford, Lib.): I just have a suggestion when you're through.

The Chair: Okay. Are we ready for the question? Is there any more debate?

Mr. John Bryden: I have just one quick point, Mr. Chairman. We're not trying to re-create the old meeting, because we've lost that meeting. My point is that a committee is not a committee of record if there is no record.

The Chair: Your point is very well taken.

Mr. Finlay.

Mr. John Finlay: Can we get to what we are achieving by tabling Mr. Bryden's motion until we have dealt with the transcript that is produced?

The Chair: I think the question, as Mr. Bryden pointed out, is we are a committee of record and we have no record. If the committee feels that as a committee of record we must have a record, then we must re-hear the meeting.

Mr. John Finlay: I have some records.

The Chair: We can also do what we are already trying to do; that is, collect the recollections and prepare some kind of report. As I said, if somebody—anybody, not a majority, but anybody—when we deal with that report says this is not good enough, I would accept that

as being we could not table a report, period. Therefore, we would have no choice but to either pass over the subject or re-hear it.

Mr. Murphy.

Mr. Shawn Murphy (Hillsborough, Lib.): I agree with the procedure you're following. The only addition I'd raise, and you're probably going to do it anyway, is that to be valid, the record that's being created would have to be approved by the witnesses also. They'd have to sanction it. You couldn't have words put in their mouths they are not in agreement with.

• (1555)

The Chair: I think we're leaning toward re-hearing.

Mr. Shepherd.

Mr. Alex Shepherd: The pathway you're going down is to approve Mr. Bryden's motion and in fact to call another meeting. Wouldn't it be more appropriate to table it at this time and go through the other process? The rejection of Mr. Bryden's motion is that we're not going to have another meeting, unless he brings forward another motion such that we would do so.

The Chair: Mr. Bryden has said we are a committee of record and we have no record. So if you stand on the principle that as a committee of record we must have a record, we must have another meeting. That is a given.

In addition to having that other meeting, we can try to do a re-creation. But Mr. Murphy is absolutely correct: I don't think we can table a report in Parliament based on our recollections without having that report approved by the witnesses who provided the testimony. We're into 15-odd people's recollections being amalgamated into a report.

Therefore I think my original suggestion maybe doesn't stand at all. Mr. Murphy raises a very valid point, that it would be totally improper for us to table a report in Parliament based on our recollection of testimony without that report being approved prior to tabling in Parliament by the people who provided the testimony. Then we're into negotiations and so on. So I think we're down to a new hearing.

Mr. Mayfield.

Mr. Philip Mayfield: I'm not going to give up quite that easily, Mr. Chairman.

The Chair: We could continue to try to rebuild that document.

Mr. Philip Mayfield: I think we had a valuable meeting, and I regret that the record is not there. I agree with you entirely, Mr. Bryden. But it's gone. It's the spilled milk in this situation.

Mr. John Bryden: There's nothing to do.

Mr. Philip Mayfield: I would very much like to have our clerks take a cut at putting together their best recollection of that meeting because of the value of the meeting itself.

The Chair: I understand that.

Mr. Philip Mayfield: Whether we have another go at putting our witnesses here and going through the same motions again.... We may not have the same witnesses, and we may not have the same committee members here.

I would like to take this on a step-by-step basis. I would like to have the clerks put together their best recollection, and at that point make a decision about having another meeting or not. There, you see, is where I think the tabling would be in our best interests.

The Chair: The researchers are already doing what you're suggesting, Mr. Mayfield.

Mr. Philip Mayfield: I'm sorry, they are researchers, not clerks.

The Chair: They may actually have that finished as early as tomorrow or Monday. I asked them to give it the number one priority, so it's fresh in their minds.

Based on Mr. Murphy's point, I don't think I would ever want to table a report in Parliament without the approval of the witnesses. It's fine for us to have the report, but it can't go anywhere. I don't think it's legitimate to table it in Parliament.

Mr. Philip Mayfield: Having said that, then, sir, may we, when we come to the next meeting, if there is going to be one, have the benefit of the clerks' recollections?

The Chair: That's right. We can bring that in to the committee, but I don't think we can table it in Parliament.

Mr. Philip Mayfield: I'm sorry. You're still researchers, not clerks. I apologize.

Mr. Robert Bertrand (Pontiac—Gatineau—Labelle, Lib.): Mr. Chair, I just wanted to make sure I understood what we will be doing. The researchers are going to be preparing a report?

The Chair: Their recollections of...

Mr. Robert Bertrand: Their recollection of what went on in Tuesday's meeting. And once we have it, we will get the witnesses back?

The Chair: If you approve the motion.

Mr. Robert Bertrand: I believe that's not what the motion said.

The Chair: The motion is to bring the witnesses back to have another meeting.

Mr. Robert Bertrand: To re-hear? So that we re-hear them, or to say they are in agreement with what is written in the report?

The Chair: To re-hear the issue, to have a new meeting on the issue. We cannot re-create it. I think the motion is that we bring the witnesses back, we bring the Auditor General back, the same reports will be presented, we ask our questions, we have a tape, we write a report.

Mr. Shepherd.

•(1600)

Mr. Alex Shepherd: I don't want to prolong this debate.

The Chair: No, I don't either.

Mr. Alex Shepherd: You're precluding the possibility that the witnesses will not concur in the report. If the witnesses concur in the report, then it can go forward.

I would move to amend Mr. Bryden's motion—to table his motion until such time that you have the preliminary report from our own people.

The Chair: Okay.

Tabling a motion is not debatable, so we'll have the question on tabling the motion. It's not debatable.

Mr. Shawn Murphy: Let's just vote.

The Chair: All those in favour of tabling the motion?

(Motion agreed to)

Mr. John Bryden: It's coming back, I take it.

The Chair: It's tabled, so it can be brought back at any time.

Mr. John Bryden: So we can do it next week. Okay.

The Chair: We thank the witnesses. They are excused, and now we'll bring the witnesses for today's hearing forward.

We will suspend for two or three minutes, if we may.

The Chair: •(1602)

(Pause)

•(1605)

Okay, we're going to reconvene.

We have a member of the media sitting on the side here, and it was raised by one of the members of the committee that this is not the normal spot for the media to be sitting. The member of the media indicated to me that as he is writing his article, facial expressions are part of his opinion of what transpires at a meeting. Therefore, I said I would ask the will of the committee whether the member of the media may continue to sit at the side or whether the committee wants the media back in the gallery where they normally sit. Is it the pleasure of the committee that the member of the media continue to sit there?

Mr. Bryden.

Mr. John Bryden: Mr. Chairman, I think we would be setting an unfortunate precedent. If we allow one member of the media to sit close behind the members of Parliament as they exchange conversation among themselves then we have to allow the same privilege to all members of the media.

I suggest, Mr. Chairman, that the rule that was put in place that had the media sit among the audience was a good rule, and it should be maintained by this committee.

The Chair: The point being that it doesn't matter where you sit in this room, apart from the chair, the clerk, and the researchers, you're always going to be looking at somebody's back.

Mr. Mayfield.

Mr. Philip Mayfield: The other concern I have is that I value the space behind me for my assistant to be with me, and if I have to compete with other people who come in this room, I wouldn't appreciate that. So I would agree with Mr. Bryden.

The Chair: Okay. I think it's the will of the committee that the media be asked to sit in the gallery. Sorry.

Now we're going to get on to the rest of the business today, pursuant to Standing Order 108(3)(e), consideration of chapter 13, "Other Audit Observations (Heating fuel rebate)" of the December 2001 report of the Auditor General of Canada.

Our witnesses today are, from the Office of the Auditor General, Ms. Sheila Fraser, the Auditor General of Canada; Mr. James Hood, principal from the office; and Mr. Richard Domingue, also a director from the Office of the Auditor General. From the Department of Finance, we have Mr. Stephen Richardson, senior assistant deputy minister, tax policy branch; Mr. Serge Nadeau, director of personal income tax division, tax policy branch. And from Canada Customs and Revenue Agency we have Mr. David Miller, assistant commissioner, assessment and collections branch; and Ms. Kathy Turner, director general, benefit programs directorate, assessment and collections branch. Now we have all that on a business card, in two languages.

Opening remarks, Ms. Fraser.

Ms. Sheila Fraser (Auditor General of Canada): Thank you, Mr. Chairman.

Mr. Philip Mayfield: Excuse me, Mr. Chairman. Is there a copy of Ms. Fraser's remarks available to us?

The Chair: The clerk has some for distribution, yes.

Ms. Sheila Fraser: We would like to thank you for this opportunity today to discuss our audit observation on relief for heating expenses. As you mentioned, joining me at the table are Jamie Hood and Richard Domingue, the principal and director responsible for this audit observation.

In December 2001 I reported my concern about the erosion of Parliament's control over the way government raises and spends money. The examples I used included employment insurance premium rates, the creation of Downsview Park, which we discussed Tuesday, and the Canada Foundation for Sustainable Development Technology, as well as the initiative to provide relief for heating expenses.

In its October 2000 economic statement the government announced it would provide some relief for the higher heating expenses that many Canadians faced at that time, but it wanted to limit its relief to low-income and modest-income Canadians. So the government proposed that it provide the relief to those eligible for the January 2001 payment of the goods and services tax credit. The relief provided for heating expenses was \$125 to individuals and \$250 to families. The total cost of the relief for the year ended March 31, 2001 was over \$1.4 billion.

[*Translation*]

Mr. Chairman, let me start by emphasizing that we are not commenting on the merits of the policy decision to provide this relief. However, we have two concerns about how the decision was implemented.

First, the government used an approval and funding process that did not give members of Parliament an opportunity to review and approve \$1.4 billion of public spending on a major initiative.

Second, the mechanism chosen to identify recipients meant the relief was poorly targeted. As a result, less than a quarter of the payments went to low- and modest-income Canadian households that needed immediate assistance. Furthermore, at least 90,000 low- and modest-income Canadians facing higher heating costs were not eligible for the relief payments. I will comment on each of these concerns.

In the October 2000 Economic Statement, the government proposed to amend the Income Tax Act to obtain the parliamentary authority it needed to make the payments. After the Notice of Ways and Means motion was approved, however, Parliament was dissolved for the November 2000 election. Legislation to amend the *Income Tax Act* was never introduced, debated or approved.

Instead, the government chose to give the relief in the form of ex gratia payments authorized by the Governor in Council. Ex gratia payments are made at the government's discretion as acts of benevolence in the public interest. It has been suggested that the government try to recover some of the relief payments it made, but recovering ex gratia payments is not feasible.

Although the government has the authority to make ex gratia payments, Parliament has to provide the funds. Since Parliament had been dissolved, the government chose to use special warrants. Parliament has approved the use of special warrants during dissolution when there is no appropriation for a payment that is urgently needed for the public good.

We are concerned that Parliament's role of providing scrutiny and oversight was weakened in this initiative by the government's choice of an approval process that, while legal, effectively bypassed Parliament.

● (1610)

[*English*]

Mr. Chair, let me now turn to the issue of identifying eligible recipients.

In providing relief for heating expenses the government had three goals: one, to offset some of the impact of higher heating expenses; second, to limit the assistance to low-income and modest-income Canadians; and finally, to provide the relief quickly. Achieving all three goals proved to be a significant challenge.

The government lacked the information needed to identify low- and modest-income Canadians who were facing higher heating costs. It therefore chose to provide relief to all recipients of the goods and services tax credit.

Our analysis showed only a weak relationship between those who received the goods and services tax credit and those who needed help with higher heating expenses. We found that at least 40 percent of the payments went to higher-income households or to households that would not likely face the higher heating costs caused by the energy market conditions of 2000-2001. Furthermore, because payment of the goods and services tax credit in January 2001 was based on 1999 income, at least 90,000 low- and modest-income Canadians facing higher heating costs did not get the relief.

We also noted a few anomalies created by giving relief for heating expenses to the recipients of the goods and services tax credit. These included multiple payments to some households and payments to Canadian taxpayers residing outside the country, to deceased people, and to some prisoners. The estimates that we used of how many recipients were in each of these groups were made by the Department of Finance using reasonable assumptions.

In summary, I appreciate that the government wanted to act quickly to help Canadians who were facing substantial increases in their heating costs because of market conditions. However, I am concerned that Parliament was not given an opportunity to approve a \$1.4 billion initiative. I am also concerned that over 40 percent of the households that received the relief did not need assistance or were not low- or modest-income households.

Mr. Chair, I trust that the committee shares my concern. I also hope that the committee will obtain government's assurance that it will seek Parliament's approval for similar new initiatives in the future.

That concludes our opening statement. We would be pleased to answer any questions the committee may have.

•(1615)

The Chair: Thank you, Ms. Fraser.

Now we're going to turn to Mr. Richardson, please, from the Department of Finance.

Mr. Philip Mayfield: Mr. Chairman, is there a copy of his remarks?

The Chair: Yes, the clerk should have a copy. And the one from CCRA can be distributed as well.

Mr. Philip Mayfield: Thank you.

The Chair: Okay, Mr. Richardson.

Mr. Stephen Richardson (Senior Assistant Deputy Minister, Department of Finance): Thank you, Mr. Chairman.

I would like to thank the chair for inviting me to speak with you today on behalf of the Department of Finance about the relief for heating expenses.

The relief for heating expenses was a one-time payment of \$125 per adult and \$250 for families provided to 8.6 million low- and modest-income families in the winter of 2001 to help them deal with higher home heating costs. The Auditor General's annual report for 2001 contains comments on the targeting of the relief for heating expenses as well as the process used by the government to authorize funding for the measure.

Today I will explain why the GST credit was chosen as the mechanism for delivering home heating relief in the winter of 2001 and why an Order in Council and Governor General special warrants were used as the legal means to authorize the payment of funds.

[Translation]

In the months preceding the preparation and delivery of the October 2000 *Economic Statement and Budget Update*, the price of crude oil and natural gas had increased sharply. It appeared that

Canadians would be facing much higher home-heating costs in the coming winter.

[English]

The government decided to provide one-time assistance to those who could least afford higher home heating costs—low-income and modest-income Canadians. Within that target group were millions of Canadians who would have faced higher heating bills immediately, so the government felt it was necessary to deliver this relief before the end of the winter.

The Department of Finance considered several options for providing some form of relief to address the burden of higher heating costs, as the Auditor General notes in her observation. These options were measured against three important objectives: targeting, speed of delivery, and cost of administration.

The GST credit mechanism was chosen because it was the only option that could achieve these objectives. The GST credit was the best mechanism for targeting low- and modest-income Canadians because it was already designed as an income-tested benefit delivered by the tax system to all individuals with net family incomes of \$32,523 or less, \$36,623 or less in the case of single parents. The GST credit was the only mechanism that could deliver relief to many people quickly, before the end of the winter of 2001. Some 8.6 million cheques were mailed out by mid-February of 2001.

The GST credit was also the most cost-efficient administrative method for delivering relief to the target group, at an actual cost of less than one dollar per payment. Other options were rejected because they would have been poorly targeted, much slower to deliver relief, or much more costly to administer.

The Auditor General, in her report, indicates that the use of the GST credit resulted in poor targeting of the relief for heating expenses. In this sense, the report interprets the goals of the RHE too narrowly. It suggests that the goal was to provide relief only to individuals facing immediate increases in heating costs. In fact, the target group was much broader than that; it also included millions of low- and modest-income Canadians who had faced higher costs subsequently, for example, through higher rents or utility costs.

As I have mentioned, the GST credit was the only mechanism for providing relief to the entire target group while providing it quickly to those who needed it immediately.

The Auditor General's report also noted that cheques were sent to prisoners, deceased individuals, and individuals living outside Canada. However, it's important to bear in mind that the amount provided to these individuals was only about \$2 million, less than two-tenths of 1 percent of the total relief provided.

It was estimated at the time that changing the GST credit system to eliminate these anomalies would have cost in the range \$50 million. This also would have delayed delivery of relief beyond the heating season for millions of Canadians.

•(1620)

[Translation]

With respect to the overall targeting of the GST credit, it is important to note that the Department of Finance has continued to work toward improving the functioning of the credit. Bill C-49, which received royal assent on March 27, 2002, included amendments to the Income Tax Act that will improve the responsiveness of the GST credit.

Let me now turn to the legal mechanisms used by the government to implement the Relief for Heating Expenses.

[English]

As members of the committee are aware, the relief for heating expenses was announced as part of the government's \$100 billion tax reduction package in the October 2000 economic statement and budget update. On October 19, 2000, a notice of ways and means motion that included the proposed relief was concurred in by the House of Commons. However, Parliament dissolved on October 22, 2000. With Parliament not in session, the government decided to use existing legal mechanisms to authorize the payment of relief for heating expenses.

On December 12, 2000, the Governor in Council passed an order to authorize the payment. The Governor General then issued special warrants in January 2001 to permit the relief to be paid out of the consolidated revenue fund. These procedures allowed relief for heating expenses cheques to be mailed out starting at the end of January 2001 to 8.6 million recipients.

Obtaining the Order in Council on December 12, 2000, was crucial in ensuring that RHE recipients would receive their payments before the end of the winter. If the government had waited until the resumption of Parliament to introduce legislation, and even if this legislation had been passed almost immediately, relief would have been delayed until mid-March at the earliest. The delay would have been unavoidable because administrative procedures such as printing cheques require at least six weeks once payments have been authorized. Such a delay would have jeopardized the government's objective of providing relief to the target population before the end of the winter.

In closing, I'd just like to thank the chairman and committee members for providing me the opportunity to help explain why the GST credit mechanism was chosen to deliver home heating relief and why an Order in Council and Governor General warrants were used as legal means to authorize the payment of funds. I'd be pleased to answer your questions regarding relief for heating expenses.

The Chair: Thank you, Mr. Richardson.

Before we ask questions, we're going to hear from Mr. Miller from Canada Customs and Revenue Agency.

Mr. David Miller (Assistant Commissioner, Canada Customs and Revenue Agency): On behalf of Canada Customs and Revenue Agency, I would like to thank the chair and the members of the committee for the occasion to appear before you today.

You may notice some similarity in some of the comments I'll be making to those from Mr. Richardson. That's because I think it's very worthwhile to cover the same kinds of issues, since there are two

closely related issues to discuss today—the choice of the mechanism used to make the RHE payments, and the targeting of the RHE payments that resulted from that choice.

As you are aware, the role of the CCRA is administration. RHE payments were *ex gratia* payments authorized by an Order in Council. The order authorized the Minister of National Revenue to make RHE payments of \$125 to single people and \$250 to families that were entitled to the January 2001 goods and services tax credit quarterly payment.

The GST credit is by far the largest income-related program in Canada. It provides payments to 8.6 million Canadians, one-third of whom are over the age of 65. Tax-free GST credit payments are made quarterly to low- and modest-income Canadians to offset all or part of the GST they pay.

The government's goal was to issue relief payments to low- and modest-income Canadians quickly and in the peak of the heating season. The CCRA regularly delivers payments to this group through its GST credit system. For the following reasons, this system was chosen as the best delivery mechanism for the RHE: the GST credit is an existing program that issues payments to low- and modest-income Canadians; the GST system could deliver relief to the target population quickly and cost-effectively; the necessary policies, business rules, and system architecture were already in place.

By using this existing program, the CCRA spent less than one dollar per recipient to administer the RHE program, including postage costs. In our opinion, there is no other mechanism that could efficiently target a large number of Canadians based on their income.

British Columbia provided a similar energy-related program using the GST credit payment as its method. It was administered by the CCRA. To develop an entirely new mechanism to provide relief, with its own eligibility rules, would have taken several months to establish and would have been very costly.

As I have already stated, in accordance with the Order in Council, the CCRA issued RHE payments to all Canadians who were entitled to the January 2001 quarterly GST payment. The business rules, including eligibility for the RHE, were therefore the same as the GST credit quarterly payment.

These payments were based on information found in clients' 1999 income tax returns, as this was the most recent client information we had on hand at that time. People had not yet begun to start to file their returns for the year 2000. As I shall soon elaborate, the clients' status on January 1, 2001, was also used to determine eligibility to the RHE payment.

Much attention has been given in the media and in Parliament to the fact that using the existing GST credit program resulted in payments being made to the deceased, prisoners, and non-residents. Allow me to discuss payments to each of these groups separately.

Yes, RHE payments were made to deceased clients. The Auditor General's report identifies that 7,500 deceased individuals received the payment. In order to be eligible for the January 2001 GST credit payment, and consequently the RHE, clients must have been alive on January 1, 2001. If an individual died after January 1, 2001, but before the payment date of January 31, 2001, the client's estate was entitled to receive the RHE payment. These same rules apply to the GST credit payment.

The CCRA uses the most current information on record when they issue payments. There is a normal time lag between a client's death and the updating of the CCRA's records.

• (1625)

As payments are calculated and cheques are printed in advance, payments are occasionally made to recently deceased individuals. When a payment is issued to a deceased client, the client's estate is advised to return the payment and provide the CCRA with the client's date of death. If the client's estate is entitled to the payment, the payment is reissued to the estate. If the client's estate is not entitled to the payment, then the CCRA recoups the payment. The CCRA considers this a normal part of business in the administration of all our programs.

With approximately 8.6 million recipients, the fact that the Auditor General has estimated that 7,500—or less than one-tenth of one percent—of them passed away in a month is not surprising. If that weren't the case, then Canadians would have an average lifespan in excess of 100 years.

With regard to the 4,000 payments made to clients outside of Canada, in order to be eligible for the RHE an individual must have been a resident of Canada for tax purposes on December 31, 1999, and must not have emigrated from Canada before January 1, 2001. Provided they met the other eligibility requirements, the estimated 4,000 recipients who were outside Canada during the month of January 2001 were entitled to receive the RHE.

The third group of recipients who have received a lot of public attention is prisoners. Section 122.5 of the *Income Tax Act* specifically excluded prisoners from receiving the GST credit if they were incarcerated on December 31 of the base year—1999 in this case—and were so incarcerated for more than six months in that year. However, those individuals incarcerated on or after January 2000 would be eligible for the credit. To put it simply, individuals who were in prison when the RHE payments were made but were not in prison in 1999 may have been eligible for the RHE payments.

Yes, we knew there would be payments to some deceased individuals, some people outside of Canada, and some prisoners if the GST credit mechanism were used to deliver the RHE. However, we also knew that payments to these groups would represent a very small part of the total number of payments. In fact, as Mr. Richardson has said, payments to those groups represented less than one-fifth of one percent of the total payments made, or about \$2 million.

I believe that the Auditor General made those remarks not to point out the problems of administration, but to reinforce their belief that the GST credit program was not the most appropriate way to

distribute payments under something called “relief for heating expenses”.

The alternative of developing a new program with distinct business rules and eligibility criteria would have been much more expensive. In addition, timing would have been an issue. Given the alternative of not being able to provide relief to those who needed it most, when they needed it most, the payments to these groups were considered reasonable.

In conclusion, large administrative programs such as the GST credit have administrative constraints. Eligibility criteria cannot be changed at a moment's notice to meet clients' changing circumstances. Although there may be limitations in the GST credit program that allowed payments to deceased clients, prisoners, and people outside of Canada, they are not indicators of fraud or poor administration. Reasonability, privacy, and other important administrative considerations are a normal part of the CCRA's day-to-day operations.

The CCRA is proud of the cost-effective and efficient manner in which the RHE program was administered. We didn't get to choose the name of the program, and would have preferred something more descriptive. A more accurate title would have been “payments to support the government's objectives of providing relief from higher energy costs to low- and modest-income Canadians in a timely fashion”. In achieving that objective, we delivered payments totalling more than \$1.4 billion to 8.6 million Canadians during the first week of February 2001. The cost of administering this program was about one dollar per payment, including postage, cheque production, and responding to inquiries.

• (1630)

Thank you. I'd be happy also to answer questions at this time.

The Chair: Thank you very much, Mr. Miller.

Before we go to questions, I'd just like to ask a point on the veracity of your opening statement. You talk about GST credit, and how if it is inappropriately paid you get the money back. You talk about the people who leave the country and the criteria for that and the GST tax credit. As the Auditor General pointed out, these are *ex gratia* payments that could not be recovered.

Talking about people who have died, I seem to think that the way you presented this information is not exactly how it applied to the RHE rebate, even though you gave us specific rules regarding the GST rebate. Am I correct in saying that?

Mr. David Miller: No, Mr. Chairman. Actually, one of the reasons why we applied the rules exactly the same as the RHE as those for the GST credit was to avoid any problems of interpretation. So the application to the two programs was identical: the January payment under the GST credit and the end of January payment under the RHE.

The Chair: Did you recover the ones that were not legitimate payments?

Mr. David Miller: The ones that were not legitimate payments, yes. For example, for those who received a payment but they had died before January 1, the estate was not entitled to that and those were recovered.

The Chair: Okay. Somebody may want to question that. It didn't sit too well with me.

I was wondering, because of time, are we agreed that the first round be six minutes instead of eight minutes? I'm going to go six minutes on the first round if everybody is agreeable. Okay.

Mr. Mayfield, you have six minutes, please.

Mr. Philip Mayfield: Thank you very much, Mr. Chairman.

Mr. Chairman, I think I remember as far back as Tuesday this week when we were talking about \$2 million going from National Defence to Downsview Park without parliamentary approval.

•(1635)

Mr. John Bryden: Where are the transcripts?

Mr. Philip Mayfield: I'm talking about my memory now, Mr. Bryden. You can question that, if you choose.

Mr. Odina Desrochers: Check the level. One, two, three, check. One, two, three, check.

The Chair: Are we broadcasting? You're coming over loud and clear, Mr. Mayfield.

Mr. Philip Mayfield: I'm quoting from Mr. Miller's report that you have just given to us:

"I believe the Auditor General made these remarks not to point out the problems of administration, but to reinforce their belief that the GST credit program was not the most appropriate way to distribute payments..."

I don't agree with that statement, sir. I think the Auditor General—and she can correct me if I am wrong—is concerned about the authority of Parliament and the bypassing of Parliament for the approval of these funds. I think that is the main issue that we have been discussing, not only at this meeting but at the previous unrecorded meeting last Tuesday.

Mrs. Fraser, am I correct, or would you like to correct me, please?

Ms. Sheila Fraser: Mr. Chair, yes, Mr. Mayfield is correct.

There are two issues. One is parliamentary control over spending. This is a \$1.4 billion initiative, which did not receive explicit approval from Parliament. The second issue that we would raise, though, is the targeting. Given the program objectives, we do have issues with the use of the GST credit program because of the specifics of the population that was trying to be reached.

Mr. Philip Mayfield: I may have a bit of a biased view, sitting on the opposition side of Parliament, but this matter of the erosion of parliamentary authority is something I think about a lot. It concerns me that in one report you've covered two issues and we've taken two meetings to discuss these things. I mean, \$100 million here, \$1.4 billion there—it's not exactly chicken feed we're talking about here. I don't care if the government sets up orders in council that they can use whenever they wish to bypass Parliament. It seems to me that our parliamentary system is fundamentally based upon people electing the representatives to decide how their taxes are to be spent.

Mr. Odina Desrochers: I agree.

Mr. Philip Mayfield: This is a major difficulty we're having in the relationship between Parliament and government. I agree that the

bureaucrats who administer these funds are the servants of their masters, and I'm not arguing too much with you at this time, I don't think. But this is a great difficulty for me, that Parliament is so easily bypassed that it becomes almost inconsequential as to whether parliamentary approval is given.

That is a statement, not a question, Mr. Chairman. It comes from my heart, from deep within.

I would still like to ask...on the second point you have raised, Mrs. Fraser, do you have a suggestion, in your knowledge of how the government works, about how this might have happened differently, so that your report would not be saying that a quarter or less of the money actually went to those who were targeted? I have a feeling the parameters were broadened after the issue became public, to cover the arguments you raised in this issue here. Do you have some suggestions?

Ms. Sheila Fraser: I'd like to go back to the actual program objectives and the use of special warrants, because special warrants are to be used for a matter of urgency when Parliament is not in session. So if we look at heating fuel rebates, assistance to low- and modest-income families, it has to be a matter of urgency to use warrants. The analysis the Department of Finance did, which we used in our audit observations, indicates that there was only somewhere between \$250 million and \$350 million that was needed for low- and modest-income families on an urgent basis, and yet there was \$1.4 billion spent. Well, I question the use of that program, how well were the problem objectives thought through initially, and how the delivery mechanism was going to be used.

The agency has mentioned the case of British Columbia, which used a similar credit. Other provinces also gave relief for heating fuels. They used programs where applications had to be made or they used rebates on fuel on bills that consumers received. So there are different mechanisms. I presume the departments have studied that, and that may be a question that you would want to ask them.

But I think the real issue is that the use of warrants was to be used for a matter of urgency. In the estimation there was maybe between \$250 million and \$350 million that was needed urgently.

•(1640)

The Chair: Very briefly, Mr. Mayfield.

Mr. Philip Mayfield: Thank you.

The other question that arises along the same line is that the government began acting on their concern rather late in the game. To say you had to do all this and get it done between November and January may be correct, but looking to the future we see that energy prices are rising again. What would you do differently this time? Would you target differently? Would you use a different program than the GST? Would you use different criteria than the GST? How can you save yourself a billion dollars or so by crediting those who need these funds?

The Chair: Are you addressing your questions to CCRA or to Finance, Mr. Mayfield?

Mr. Philip Mayfield: Well, I think to Finance actually because I believe that's....

The Chair: Mr. Richardson.

Mr. Stephen Richardson: I'm happy to address the question. I did think it followed from the prior discussion with the Auditor General.

Our view of the use of the GST credit is slightly different from what has been put forth by the Auditor General. First, of all, I should emphasize that the government made a decision in the fall of the year 2000 as part of the decision-making process for the October 18 economic statement to provide relief for heating expenses to low- and modest-income Canadians for the winter of 2000-2001. The government decided to do that on a basis that would recognize three objectives. The first objective was to deliver the relief quickly, and that was because there were between 2 million and 3 million Canadians who could use the relief during the heating season when they had direct costs that were increasing as a result of the increase in commodity prices. The second objective was cost efficiency in administration. The third objective was to provide relief to low- and modest-income Canadians.

The GST credit is the only income-tested mechanism that exists in the income tax system that can reach all low- and modest-income Canadians. So the department officials did review other options, but found only the GST credit as meeting all three objectives. Other options would have either been less well-targeted because they would have put more money beyond the reach of low- and modest-income Canadians—

The Chair: Mr. Richardson, thank you very much.

Mr. Desrochers, *s'il vous plaît*. Vous avez six minutes.

[Translation]

Mr. Odina Desrochers: Thank you, Mr. Chairman.

I'd like to thank the witnesses for coming here this morning to help shed some light on this matter. The explanation in this case is quite simple. An actual emergency didn't exist, but an election was in the works. The aim of the Finance Minister was not to help lower-income Canadians, but rather to buy some votes. That is unacceptable, Mr. Chairman.

I agree wholeheartedly with the Auditor General. Moreover, since 1997, the government has become an expert at setting up foundations and adopting measures in an attempt to hide its spending of funds administered by the country's elected officials. Your predecessor, Mr. Desautels, made it very clear during his ten-year tenure as AG, that increasingly, elected officials were no longer accountable for the government's spending.

When the government disagrees with action that has been taken, it sends in several MPs to vote down motions concerning spending or ministers' staff. This is one example of democracy in action.

Having said this, I do have a question for Mr. Richardson, who has done his job and attempted to justify a purely political and partisan decision, as well as one for the representative of CCRA. If you found yourself in the same situation, that is if another election were pending, would you do the same thing again?

• (1645)

[English]

Mr. Stephen Richardson: Thank you.

I think I can say that if I were given the same instructions and were posed the same objectives for a measure as were posed in the fall and winter of 2000-2001, and those were to deliver relief quickly, to do it cost efficiently, and to target low- and modest-income Canadians, we would consider that consideration be given to the GST credit mechanism because it is the mechanism that meets those requirements.

[Translation]

Mr. Odina Desrochers: Therefore, despite the mistakes mentioned and the views of the Auditor General, you would be prepared to take similar action again?

[English]

Mr. Stephen Richardson: All I can comment on is the analysis that officials make with respect to objectives that are set by the government. If the objectives are set in the way that I described, we would do an examination. We would do a new examination to see if there is any change in the analysis, taking into account all of the material we now have available and all of the comments of the Auditor General.

Having had some look at those so far, I don't see anything at the moment that would lead to another alternative that would meet the three objectives in the way the GST credit would.

[Translation]

Mr. Odina Desrochers: I have one last question, Mr. Chairman. Would you still be prepared to waste money needlessly?

[English]

Mr. Stephen Richardson: I would not make a decision to waste money needlessly, but my job is to put into effect policy decisions that are made. Given the policy decisions that are made, officials have to weigh the options, and I have not heard anyone, including the Auditor General, suggest a specific method for achieving these policy objectives in a different way that seems to be more acceptable. I don't consider that there was a waste of money.

The Chair: It seems to me that the Auditor General said it was about a \$400 million program and yours was a \$1.4 billion program. Perhaps somebody can explain. If it's not waste, it must be something else.

Mr. Bryden, please.

Mr. John Bryden: Mr. Chairman, you ought to refrain from editorializing when you move from one witness to another, if I may say.

To all of you, first of all, I reject the premise of my colleague opposite, because in my village there is a 90-year-old lady who lives in a cottage all alone. She has one of these old oil-fired space heaters, and had she not got that rebate, by about March she would have just bundled up in her Second World War furs and endured it.

As I understand it, from what the Auditor General just said, or what somebody said, there is \$250 million worth of people like her that were in urgent need. Does anyone, including the Auditor General, have a suggestion on how that \$250 million worth of people in urgent need could have been identified in time to deliver the rebate to them? Does anyone have a suggestion on how else it could have been done?

The Chair: Let's start with Ms. Fraser, because I think that is who your question was directed to.

Ms. Sheila Fraser: Thank you, Mr. Chair.

As I mentioned, there were provinces that did have an application program where people had to apply. It was income-based, and payments went out fairly quickly. Now, I do not know how long it would have taken to establish such a program, nor the costs of it, but if we say that there was a billion dollars that was poorly targeted, I would think that the Canadian public would expect that there would be some administration costs to set up a program in order to avoid that.

• (1650)

Mr. John Bryden: If I'm correct, you have not done a comparative analysis, so we have no way of measuring whether in fact the finance department took unnecessary management risks in applying this program. It was an urgent program at a time when Parliament had been dissolved.

Ms. Sheila Fraser: I believe the Department of Finance did do an analysis of different options, and the department may want to comment on that.

Mr. John Bryden: Was there a better, more economical way of doing this and achieving the target of reaching the people in urgent need?

Mr. Stephen Richardson: The department did an analysis of this and found no basis for any other method for reaching people in need within the time limits and also meeting the other objectives of reasonable cost of administration and targeting low- and modest-income Canadians.

If I could just add to that, with respect to the \$1 billion figure, there are two groups who are targeted for relief for heating expenditure. Only one of these groups is the group that needed heating cost relief immediately. So to say that the program was \$400 million and cost \$1.4 billion I don't think takes full cognizance of the implications of the policy of the program.

There was a further group that also consisted of low- and modest-income Canadians who were to have relief from heating expenses but who may not have required the assistance as urgently because they did not have immediate costs but had subsequent costs. This would have included people like renters or others who had higher utility costs later as a result of the pass-through of higher energy costs.

So what was done by choosing to deliver the program early in the form it was, using the GST credit, was to do two things. It was to first take cognizance of the fact that there was a significant group of low- and modest-income Canadians—in our computation it was between two and three million who required immediate relief, and then there were more Canadians, significantly more, who were going

to require and use relief and who would receive that as well through this delivery mechanism.

The Chair: Ms. Fraser, do you have a comment?

Ms. Sheila Fraser: I would just like to say that I agree with what Mr. Richardson said, that there were two groups: 15 percent to 25 percent who needed immediate relief and another 25 percent to 35 percent who might have needed assistance some time in the future.

I would raise two issues. That leaves 40 percent who did not need it, who were not low- or modest-income, or who did not need assistance because they did not heat with fuel, for instance. Secondly, if there was a very large group that didn't need immediate assistance, I question the use of warrants, and why was parliamentary approval not obtained for that?

So it brings back the question of the urgency of using the special warrants rather than getting formal parliamentary approval for those amounts of money.

Mr. John Bryden: Coming back to that again, the warrants were apparently used because Parliament wasn't sitting. So we set that aside. We have to take the government's position that an emergency situation had arisen at a time when Parliament wasn't sitting and the government acted.

However, the real question I would like to ask the Auditor General is this. Any kind of good governance by any corporation involves risk management. My question to the Auditor General is, in her opinion, given the circumstances, given the target of this policy, did the government act in a way in which the risks taken were beyond the reasonable parameters, given the circumstances?

Ms. Sheila Fraser: Personally, I feel that if 40 percent of the payments that went out were not to the targeted population, that was very poor targeting. Even if there had been an additional administrative cost, 40 percent, or \$500-and-some million, went to people who did not need that relief.

Mr. John Bryden: One final observation, Mr. Chairman. This is one of the few occasions in which I'm going to disagree with the Auditor General, because I would think the priority has to be, in an emergency situation, the 25 percent of people who are in urgent need. If the Auditor General tells me that given that 25 percent, if the government failed in managing these low risks in reaching that 25 percent, then I would take that point. Is that the position the Auditor General is taking?

• (1655)

Ms. Sheila Fraser: If I could add perhaps another element, as we have noted, there were also 90,000 Canadians who did need relief and who did not get relief.

Mr. John Bryden: Does the Auditor General have a better program that would have reached those Canadians?

Ms. Sheila Fraser: That again comes back to.... Given the program objectives, there may have had to have been a different program design to do that. We did not go into that analysis.

Mr. John Bryden: Thank you.

The Chair: Thank you very much, Mr. Bryden.

We're now into the second round, so we're four minutes this time.

Mr. Mayfield.

Mr. Philip Mayfield: Thank you very much.

I'm concerned that we are in a situation with rising energy costs now. I'm a bit surprised to hear Mr. Richardson say he would probably do it the same way again if the same instructions were offered.

I'm wondering, in light of it now being the springtime and not November—it's going to get warmer and not colder for a few months, we hope—are you perhaps recommending to the minister that maybe a different way of meeting the needs of low-income Canadians meeting heating costs be investigated?

Mr. Stephen Richardson: As far as I'm aware, the question of providing relief for heating expenses in the future has not been raised. At the moment we're not looking at other methodology for doing that because we haven't been provided with any indication that there's any policy to do this.

Mr. Philip Mayfield: Well, considering that it's now April, in the back of your head is there a thought about a policy like that, perhaps being prepared for such eventualities and not having to react on an emergency basis? As Mrs. Fraser said, 40 percent got it who didn't really require it—90,000.

What is the percentage of 90,000 who didn't get it who did need it? A lot of people were missed, and I must say that some of those people phoned me. This lady and her husband said, "We have a choice of either eating less or getting colder." Those are the kinds of things I think about, and it seems to me that one of the responsibilities of the government is to prepare for the eventual needs of Canadians should they arise. I'm a little surprised at having gone through this, having faced the storm of public opinion about the inefficiency of what happened last time, that it's not even given a thought.

Mr. Stephen Richardson: The Department of Finance did review a number of options at the time the original decision was made, and we continue to review the results of this particular measure. I think I can say in a general sense that we would be able to have thoughts and make recommendations on various options again, as we did in the year 2000. Of course, the choice of those options would depend on the policies that are determined by the government.

I don't think I want to leave the impression that the department is not prepared in terms of looking at, and in fact having already looked at, a number of various options for delivering various kinds of relief. In fact, we did it in the context of this very measure.

Mr. Philip Mayfield: In your plans and preparations, would you perhaps take into consideration parliamentary approval for the plans you propose?

Mr. Stephen Richardson: It's not up to us to determine the exact legal mechanics for the approval of measures.

Mr. Philip Mayfield: You're certainly in a much better position to put that to the minister than I am.

The Chair: Is there a response, Mr. Richardson?

Mr. Stephen Richardson: I think I gave the response. I don't think we're in a position to make recommendations to the minister on the methodology for legal approval of these methods—

Mr. Philip Mayfield: Well, you're certainly a senior official, and you coming to report to this committee and saying you're helpless is not acceptable.

Mr. Stephen Richardson: I'm not saying I'm helpless. If the minister asked me how something might be done, if Parliament was not in session, we would bring to his attention the ability to use order in council and special warrants. If Parliament was in session, we would table a notice of ways and means motion in the way we did in October of the year 2000.

• (1700)

The Chair: Thank you, Mr. Mayfield.

Mr. Desrochers, *s'il vous plaît*, quatre minutes.

[Translation]

Mr. Odina Desrochers: Thank you, Mr. Chairman.

Mr. Richardson, earlier I said there was something I didn't quite understand. Following up on Mr. Mayfield's comments, even with all of the mistakes that were made and all of the money wasted, you're saying that you still don't have any solutions to offer to the Finance Department. Is that in fact what you're saying? Your experience with Relief for Heating Expenses doesn't allow you to do that?

[English]

Mr. Stephen Richardson: I think it's difficult to deal with solutions unless one defines the problems. As I said earlier, in this particular instance, dealing with the relief for heating expenses from the fall of the year 2000, the objectives were defined by the government to include the three important ones that I mentioned before. In that context, this choice and this recommendation is made.

We have, as I mentioned, looked at a number of other options in that context and continue to review circumstances so that we understand better how these things work and what options may be available. When or if the government were to come to us and ask us for various options to do a particular policy, we would do what we always do, which is try to provide them with the broadest range of choice of options that would meet their policy goals.

[Translation]

Mr. Odina Desrochers: Mr. Richardson, questions were raised in the House of Commons and the Auditor General stated that your program had a number of shortcomings. It seems to me that with your experience and judgment, you should be in a position to offer some serious alternate solutions.

[English]

Mr. Stephen Richardson: If, as I said, somebody could mention exactly what those shortcomings were, given the policy goals of the particular program, then we could comment on them. I think we've had a discussion here. The AG has made a number of comments, and I have not heard a specific suggestion for how the program could be done differently to meet the goals that were set in that policy.

We will continue to review this program, as we do all our programs or measures that have been put in place, and try to determine whether there are improved ways of doing that. We're always interested in improving measures we put in place.

All I was saying was at the moment I'm not aware of methodology that would better suit this kind of program or measure if the policy intent includes the three elements and the exact same circumstances, which were very particular, as those in October 2000. It may well be that if and when this were ever to come up again, the circumstances would be quite different. The requirements for timing might be quite different. In that case, we would of course provide different options—

[*Translation*]

Mr. Odina Desrochers: Do you feel it was right to initiate this process without consulting with elected representatives? You stated earlier that you would be prepared to do the same thing again to assist this segment of the population. Are you also prepared to take the same approach that was taken in 2000, when we were not consulted about expenditures of this magnitude?

[*English*]

Mr. Stephen Richardson: No. If I said that I was in error, but I don't believe I said that.

What I said was that we would do the analysis and put forward to the minister and to the government options for implementing a particular policy. All I said was that with respect to the procedure, if asked, we provide information about how certain procedures can be accomplished. We gave advice, as did the Department of Justice, with respect to how this measure could be put into effect at a time when Parliament was not sitting.

I did not say and I don't intend to say, because it's not within the ambit of my responsibilities, that I would suggest at all that Parliament be circumvented.

The Chair: Mr. Shepherd, please.

Mr. Alex Shepherd: Mr. Richardson, you stated that you haven't been aware of the shortcomings of this program. The Auditor General has noted that 40 percent of this money did not hit the target. You mentioned one of the objectives is targeting. The fact of the matter is you've based the program on incomes of people, which is almost up to one year prior to the receipt of this money. So by definition, when you started the program, it was prone to failure. Is that not a shortcoming?

•(1705)

Mr. Stephen Richardson: I think there's a shortcoming, but I'm not sure, with an income-tested program, if there's any better way to do it.

When we have an income-tested program or measure, like the relief from heating expenditure, or like the GST credit itself, it has to be based on income. Income is an annual concept. It's determined under the Income Tax Act for a year. When income is determined for a year and it's decided to do something based on a person's income, then we have to go to the last most recent year.

In this case, I agree that we went to the 1999 year, not the 2000 year, because that was the only year that was available at the time of the implementation of the program.

Mr. Alex Shepherd: I understand, but the concept was that it was to help people with current heating costs. The assumption was that it was based on people who currently couldn't afford to sustain those increasing costs. Yet you selected a method of basing their income a

year prior to this, so by definition it was.... You say it didn't have any shortcomings. The whole program, the way it was designed, was built on a shortcoming, based on a fallacy of an assumption.

Let me ask you another question. Have you done an evaluation report on this?

Mr. Stephen Richardson: If I could answer the first question first—

Mr. Alex Shepherd: Yes.

Mr. Stephen Richardson: —I don't think there is a shortcoming in the sense that if the object of a particular measure is to base it on income, so that we wish to target modest- or lower-income Canadians, then one way to do it, and as far as we're aware the best way to do it, is to base it on income as determined for income tax purposes for a year, the most recent year available. The most recent year available is 1999. If we decide that's not satisfactory, then we can't deliver relief based on income.

Mr. Alex Shepherd: But the question is, are you measuring inputs or outputs? If we're measuring the results of the program—I know how you got your inputs, but the results are that you sent a whole bunch of cheques to higher- and middle-income people who didn't deserve it.

Mr. Stephen Richardson: As far as I'm aware, all of the cheques went to individuals who qualified under the GST credit—

Mr. Alex Shepherd: The year before.

Mr. Stephen Richardson: —as being lower- or modest-income Canadians. They were not high-income people.

Mr. Alex Shepherd: You have a timing mismatch.

The Chair: I think Mr. Richardson must be a lawyer, Mr. Shepherd.

Voices: Oh, oh!

Mr. Alex Shepherd: No, surely not.

Do I still have another question?

The Chair: You still have a little time. You have 30 seconds left.

Mr. Alex Shepherd: Twenty years ago you had an insulation rebate system. I know because I got it. That was based on a specific application.

The Auditor General mentioned some other programs you could have used. You could have been selective and said use the GIS, people who got GIS. That would only apply to older people, and so forth, but it would be income sensitive. There are all kinds of other things on the table.

I'd just like to think that when you're given a problem like that, you would have gone and maybe said to the minister, "Look, this is prone to failure; this is prone to failure because there's a big timing difference here."

Mr. Stephen Richardson: We did look at a number of other options. I think one of them would have been GIS, but as you mention yourself, GIS is limited to a particular age group. The purpose of this particular measure was not to be limited to an age group. For example, there were single parents who are of a young age who required the relief, perhaps more than GIS recipients, or at least as much as GIS recipients. So we did review those and they were found to be not as satisfactory for delivering the relief with these objectives in mind.

The Chair: Thank you, Mr. Richardson.

[Translation]

Go ahead, Mr. Bertrand. You have four minutes.

Mr. Robert Bertrand: Thank you very much, Mr. Chairman. Mrs. Fraser, you note the following in paragraph six of your statement: It has been suggested that the government try to recover some of the relief payments it made, but recovering ex gratia payments is not feasible.

Mr. Miller, however, informed us that in the case of deceased individuals who were not entitled to the relief, their estates had been notified and advised to return the cheque to the government.

I'd like to know who has the facts straight. You claim that these payments cannot be recovered, whereas Mr. Miller is saying just the opposite. Who is right?

• (1710)

Ms. Sheila Fraser: We're both right. Mr. Miller was referring to recipients of the GST credit. If a person was not entitled to receive the credit, the government can recover the payment because certain criteria were not satisfied.

In the case of the Relief for Heating Expenses Program, if a person does not heat with oil and is therefore not entitled to the relief, or if the person's circumstances have changed and that person is no longer considered to be a low-income earner, we cannot tell that person that she no longer is entitled to the relief because she no longer meets the program objectives. The fact is there are no program objectives. Basically, the money is a gift. And a gift cannot be recovered.

Mr. Robert Bertrand: I'd like to hear Mr. Miller's position.

[English]

Mr. David Miller: I think that's correct. I was referring to the fact that there are certain criteria people had to meet to get the RHE, and they were identical to those who met the criteria for the GST credit. If we had issued a cheque to someone who was not entitled to the GST credit, we could recover that. But that meant that for 7,500 people who died during the month of January 2001, the estate was entitled to that amount, although obviously they wouldn't be incurring heating costs—I think that was the Auditor General's point—but their family would.

The Chair: Do you have another comment on this?

Ms. Sheila Fraser: I think the issue—and I think Mr. Shepherd raised it—is in the program design. There were almost, if you will, irreconcilable objectives in trying to get payments to low- and modest-income families who were also having increased heating costs, and the difficulty was trying to target that population effectively. As we said, we believe it was poorly targeted.

[Translation]

Mr. Robert Bertrand: I have one final comment to make to Mrs. Fraser. You indicated that it was suggested the government try...Who made that suggestion?

Ms. Sheila Fraser: It was suggested by certain members in the House or in the press. The question was raised and we felt it would be appropriate to mention it today and to make it clear that a gift or ex gratia payment cannot be recovered.

[English]

The Chair: Thank you very much, Monsieur Bertrand.

I think I will have another two-minute round. Time is moving on.

Mr. Mayfield.

Mr. Philip Mayfield: Thank you very much.

I have just a little housekeeping detail, I guess. According to the audit report, the estimated cost of the rebate program was \$1.3 billion, and the public accounts show the total program cost a little over \$1.4 billion. In the Department of Finance, how do you account for this \$100 million discrepancy?

Mr. Stephen Richardson: There is a difference. The \$1.345 billion figure, which I think you were referring to, was the amount that was determined as an estimate, contemporaneously with the introduction of the measure. That was based on available information at that time. Since then, obviously we've had the actual measure in place, so we can then determine a real number. The real number has turned out to be \$1.4 billion-plus, as you described.

If you want more details, I don't know if my colleague, Mr. Nadeau, can add anything or not to the description of the difference.

Mr. Philip Mayfield: If it's just a matter of the estimates, I suppose it's there and we have to accept what it is, if that's your explanation.

When you talk about \$50 million for reprogramming a computer or something like that, it sounds like quite a bit, but not in comparison to ten times that amount missing the target. Is there really no way, with the tools your department has at hand, in cooperation with the gas companies, the provincial governments, and the resources you have, that people could not be adequately targeted, so that, first of all, those who need it can have it, and secondly, those who don't need it would not get it? It's really tough on people who need it and can't get it because the government can't figure out how to get it to them.

I don't know who should answer that question.

• (1715)

Mr. Stephen Richardson: I'm happy to address that, if the chair wishes.

There are two aspects to the question. First, I just want to clarify that the \$50 million that was referred to as additional cost only relates to eliminating the so-called anomalies, which were the 13,100 persons, including the prisoners, the deceased, and the non-residents, who got only \$2 million. So that comparison was a different comparison.

To address your general question, we are constantly looking for ways to do better targeting. That's clearly one of the challenges of doing tax policy generally. In this case, I just ask you to consider, however, in thinking about it with us, that the task of targeting, which is challenging, I think even as stated by the Auditor General.... The target group was not just people who had direct heating costs. So the question is, how would we target people who, for example, paid rent and had higher heating costs built into an increase in their rental costs subsequent to the actual increase? To meet the objective of trying to target people who were going to experience the cost of higher heating, both immediately and subsequently, in many cases indirectly, is extremely difficult, and at the moment, I'm not sure we have a way of doing that better.

The Chair: Mr. Bryden—

Mr. Philip Mayfield: I'm sorry, can I have just one short supplementary, please?

The Chair: Only if it's going to be a short answer.

Mr. Philip Mayfield: It's going to be very short. It relates to a previous question, Mr. Chairman.

It would cause much less emotion to rise within my tender breast if I thought you were really working on this. Are you really working on this?

The Chair: Yes or no.

Mr. Philip Mayfield: Yes, that's right.

Mr. Stephen Richardson: I'm not working on it at the moment because there is no measure that's being considered at the moment.

The Chair: Mr. Bryden.

Mr. John Bryden: Thank you, Mr. Chairman. I'll follow up precisely on Mr. Mayfield's point.

I think there should be an effort. The government doesn't always know best. We have a situation where we have a crisis in the Middle East, we could have a major disruption in oil supplies, and a sudden surge in costs to low-income Canadians.

Now, my question to Mr. Richardson is this. An entire year has past. Is he really telling us that the finance department has not developed a strategy whereby it can target precisely the low-income Canadians that he couldn't target precisely the previous time? Have you actually identified a way in which we can get aid to the people who really need it if a crisis should arise?

Mr. Stephen Richardson: I think we have a fairly precise targeting mechanism for providing relief generally to low- and modest-income persons, and that's the GST credit itself. If we're talking about targeting people who, at a particular time, suffer an increased cost of heating and we include in that both persons who have a direct cost immediately and persons who have a subsequent cost through an increase in utility costs or an increase in rental costs, I don't think we have a far better targeting mechanism. There are other options we could consider, and if the timing question was not crucial, then we could bring those back to review.

Mr. John Bryden: Mr. Chairman, I would like this committee to request exactly that. I think one benefit we can get from what the Auditor General has done is that...while I have no quarrel with the

fact that there were exceptional circumstances at stake at the time this program was entered into, I find it quite surprising that there isn't a strategy that has grown out of it that targets the people in need.

Personally, Mr. Chairman, I'm not interested in targeting the modest-income people. We live in a cold country. We've got a lot of elderly people living alone, both in our urban and rural areas, and should we have an emergency, we should be prepared to deal with it immediately. I would suggest that we ask the finance department to cooperate with whatever other department is necessary to come up with a strategy that they can present before this committee to give us some reassurance that we are thinking ahead, given the international situation.

• (1720)

The Chair: Thank you, Mr. Bryden, for that comment.

Mr. Richardson, we will therefore expect a letter from the finance department telling us that they are working on a strategy, and perhaps they can tell us what it is when they have one.

Mr. Shepherd, a very short question.

Mr. Alex Shepherd: I just see one conflict in your argument here, and that is that you're unwilling to take into consideration the timing differences between using 1999 taxation figures in the program that was implemented in October or November of 2000, but at the same time you're willing to say that some of that money went to justifiable causes, because eventually, through timing, the cost of higher fuel will affect renters. Do you see a conflict in that argument?

Mr. Stephen Richardson: I don't, but that may be because I made it.

Voices: Oh, oh!

Mr. Stephen Richardson: I think the first part of the argument... first of all, it's not a reluctance or a stubbornness to not take into account current income circumstances; it's just an identification of an issue, and that is that when we measure income, we have to measure on a complete year. So if we're in the year 2000 or we're early in the year 2001, the only year we have is 1999, and we don't have another way of doing that.

Mr. Alex Shepherd: Don't tell me that you might have hit the right people eventually, because if you shoot a big shot you're going to hit something. Eventually their heating costs are going to go up, maybe a year or two from now, so they are part of your sample.

Mr. Stephen Richardson: I wasn't trying to do that. I think they were two separate points, as far as I was concerned.

The Chair: Mr. Richardson, you mentioned that you do up a large number of policy options. You present it to the minister and to the government and let them choose. When you made this presentation to the government that this is the way to do it, did you advise the minister that there would be a significant wastage and spillage into the higher-income people?

Mr. Stephen Richardson: I can't discuss the details of the discussions with the government. As the committee is probably aware, we prepare various options based on the policy goals that the government or the minister provide to us. We provide to the minister our analysis evaluation of those—

The Chair: But did the analysis include the fact that there would be a significant wastage by the money going to high-income people? It's a fairly simple question, Mr. Richardson. Did you do it or didn't you?

Mr. Stephen Richardson: Well, I'm not sure there was a high spillage to high-income people.

The Chair: Well, the Auditor General said it was 40 percent. In your analysis of—

Mr. Stephen Richardson: Our analysis does not show that.

The Chair: Your analysis did not show that.

If Parliament had been recalled to authorize the payment, it could have been done on a taxable basis so that the *ex gratia* payments, which are not taxable...we could have retaxed some of the spillage back. Would that have been possible?

Mr. Stephen Richardson: I think it's certainly possible that the payments could have been made taxable.

The Chair: Okay, but only if Parliament had been recalled. An *ex gratia* payment is not taxable. Am I correct?

Mr. Stephen Richardson: I'm not sure of that. I would have thought that Parliament might have had the power even subsequently to pass a law that would cause the *ex gratia* payment to be taxable.

The Chair: So you didn't recommend to the minister that we do that.

Mr. Stephen Richardson: As far as I'm aware, we didn't get into the question of taxability.

The Chair: Mr. Miller, I go back to my point on your opening statement about the great effort you make to focus the discussion on the tax credit. You mentioned the deceased and the fact that if anybody dies in the month the payment is due, they can keep the money, but you also mentioned that there is a normal time lag between a client's death and the updating of CCRA records, which of course is more than one month, I'm quite sure. It may be six months, it may even be a year before CCRA recognizes someone is deceased.

All these people who are deceased much more than one month got a payment. Correct?

Mr. David Miller: That's correct, and those payments, because the financial institutions.... If the cheque is made out to an individual and that person has died and it's returned—

• (1725)

The Chair: I appreciate that, but what you're saying here is that the GST credit, if it's paid out in the month of the death, is not recoverable, which is fine. But your statement here did lead us to a wrong conclusion, which says that the RHE was paid out to people who had died long before the month of January, and that money was paid out. Am I correct?

Mr. David Miller: If there were cheques issued to people who had died before January 1, those cheques were returned to us with confirmation of the date of death. If the date of death was before that

January 1 actual date, then the cheques were not returned to the estate. The only estate cheques issued were ones—

The Chair: I'm not talking about estate cheques. I'm talking about the fact that the government wrote cheques to people who were deceased because you had no record of the fact they were deceased, and they were deceased prior to January 1, 2001. Correct?

Mr. David Miller: There were cheques written to people who had died prior to January 1, 2001, and they were not cashed.

The Chair: None of them were cashed?

Mr. David Miller: I can't vouch for the entire financial institution structure, but technically they can't be cashed.

The Chair: And because it was *ex gratia*, you had no methodology of recovering the funds.

Mr. David Miller: No, we did in that case. If the cheques weren't cashed—

The Chair: Ms. Fraser, you made a point that they couldn't recover the funds.

Ms. Sheila Fraser: In that case, Mr. Chair, the cheque should not have been issued because the person was not eligible for the GST credit and therefore there was a mechanism to recover those funds.

It's the issue of recovering funds, payments that were poorly targeted.

The Chair: Okay. Thank you.

I'm glad Mr. Bryden asked the question about what we're going to do because we do read in the papers that there could be another oil crunch right away.

Just one final question, and that is, the people who were collecting EI in January 2001, whose income presumably had dropped dramatically because they'd lost their jobs—they may not have been collecting the GST credit but their income had dropped dramatically—did you take that into consideration in your advice to the minister?

Mr. Stephen Richardson: Again, I don't comment on specific items of advice, but as discussed, we were aware that if someone had a high income in the year 1999 and their income dropped in the year 2000, then under the mechanics that were adopted using the GST credit mechanism, that person would not qualify for relief—

The Chair: So they were out of luck, but you didn't take a look at the EI file to see perhaps.... You do have, in the EI files, their current income at the time they're filing these cards and collecting EI. You had the information. It was absolutely current. You knew the weekly income of these people and yet you wouldn't pay them any money?

Mr. Stephen Richardson: If we were to pay people on a current basis, it seems to me that we should then also consider paying people whose income dropped but were not receiving EI, because they might be making a net family income of \$35,000, which would qualify them for the GST credit and therefore the relief from heating expense. So the EI file might be useful to some extent in that circumstance, but it's far from complete.

The Chair: The other one is far from complete as well.

Ms. Fraser, do you have some closing comments?

Ms. Sheila Fraser: Thank you, Mr. Chair.

I think we've had a good discussion today about our two concerns—

Ms. Sheila Fraser: —parliamentary approval of a \$1.4 billion initiative, and secondly, the poor targeting, which I think is part of the program design issues. I look forward to the committee's report.

The Chair: We do hope it's on the record too.

The Chair: Okay. That is it, ladies and gentlemen. The meeting is adjourned to the call of the chair.

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