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The Honourable Shawn Murphy

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• (1105)

[English]

The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)): I'd like to call the meeting to order, and I want to welcome everyone here.

This, colleagues, is the meeting called pursuant to Standing Order 108 of the standing orders, dealing with Canada Revenue Agency collection of tax debts, chapter 8 of the May 2006 Report of the Auditor General of Canada, which stands referred to this committee.

We're very pleased to welcome this morning the Auditor General, Sheila Fraser; the assistant auditor general, John Rossetti; and principal, Jamie Hood.

From the Canada Revenue Agency, we have William Baker, deputy commissioner and chief operating officer. Mr. Baker, you're here wearing a different hat today. Welcome.

We also have Guy Proulx, the assistant commissioner, taxpayer services and debt management branch; Fred Vivash, director general, tax operations directorate; and Michael Snaauw, director, accounts receivable division—all with the Canada Revenue Agency.

I want to extend to everyone a very warm welcome.

I'll turn the meeting over to you, Ms. Fraser, for an opening statement.

Ms. Sheila Fraser (Auditor General, Office of the Auditor General of Canada): Thank you, Mr. Chair.

We thank you for this opportunity to present the results of our audit of the collection of tax debts. As you mentioned, I'm accompanied by John Rossetti, assistant auditor general, and Jamie Hood, the principal responsible for this audit.

Once a year we prepare a report for Parliament called the "Status Report". This report focuses on what the government has done to address recommendations made in a selection of previous performance audits and assists parliamentarians to hold the government to account for its stewardship of public funds. Our audit of the collection of tax debts follows up on previous work done by the office more than a decade ago.

In our 1994 audit we found, among other things, that the department's automatic risk scoring systems developed to help prioritize accounts for collection action were ineffective. We also found that the department lacked adequate information on the results of collections to assess performance properly.

[Translation]

Overall, this year we found that the agency has not made satisfactory progress in addressing our 1994 recommendations. Its approach to assessing files for risk continues to lack the necessary sophistication, and the agency still lacks information it needs to manage the collection of tax debts efficiently and effectively. While these are difficult and complex issues to resolve, we had expected to see greater progress.

What are the key parameters of the tax debt? The agency had more than three million collection accounts totalling about \$18 billion at March 31, 2005. This total represents just over 5 per cent of the \$332 billion in total taxes paid to the agency in 2004-2005.

The agency needs good risk management systems because its resources are limited and its collectors need to focus their efforts on the riskiest accounts. Since 1994, the agency has made some improvements to its risk-scoring systems, but it still has a long way to go.

Because of the weaknesses we found in risk management, we concluded that the agency has no assurance that the riskiest files are given priority.

[English]

With respect to management information, we found several shortcomings. We found that management does not have a good understanding of why the amount of tax debt is growing at a faster rate than total taxes paid, nor does it have a good understanding of the types of accounts that make up the total tax debt. Management lacks this understanding because it is not collecting the appropriate data.

We also found that management lacked important information on performance. For example, the amount of cash collected on automated transactions in accounts processed at the national call centre is not available, although these accounts totalled about \$2.5 billion at March 31, 2005.

In addition, management lacks information on how well the various types of collection actions are working. Management needs this information to ensure that its strategies are working and its resources are assigned to the right areas.

As is often the case in our audits, Mr. Chair, there are positive findings to report. For example, the agency has updated its automated system, has opened a national call centre, and has established national pools to better manage workload.

Finally, let me turn to the agency's strategic vision for collection of tax debts. The vision sets out ambitious goals to be achieved by 2010 that incorporate many good practices used in other jurisdictions and in the private sector. The vision also identifies the major challenges faced by the agency in collecting tax debts, including those raised again in our report.

[Translation]

However, at the time of our audit, we found no detailed plan outlining how the agency will address the specific challenges described in the vision, or the measures that will be used to gauge progress towards its goals. Without such a plan, the agency may have a hard time reaching its goals.

We are pleased that the agency has agreed with our recommendations and that its vision addresses the need for good risk assessment and improved management information.

The key question is: when will we see the desired results? Your committee may wish to ask the agency to provide you with a detailed action plan and a timetable for completing its vision, and to provide the committee with regular progress reports.

Mr. Chairman, that concludes my opening statements and we would be pleased to answer your committee's questions. Thank you.

[English]

The Chair: Thank you very much, Ms. Fraser.

We're going to now call upon Mr. Baker for an opening statement.

Mr. William Baker (Deputy Commissioner and Chief Operating Officer, Canada Revenue Agency): Thank you, Mr. Chair. My colleagues have already been introduced to members of the committee, and we're certainly pleased to be here today to discuss this chapter.

I'd like to say that the agency finds the observations made by the Auditor General to be pertinent and highly consistent with our own understanding of where improvements are needed to our program. We have agreed with all of the Auditor General's recommendations and have initiated activities to address each of them.

I did want to add some important context around the CRA's tax collection program, which is indeed large and complex, and recognized as such. I'd like to speak a little bit about accounts receivable and what they represent.

First of all, I think it's important for committee members to understand that fortunately the vast majority of Canadians pay their tax obligations when due. However, as in all public and private enterprises, certain accounts do become overdue and require the attention of our collectors. As of March 31, 2005, a little over a year ago, overdue accounts amounted to about \$18 billion, as reflected in the Auditor General's report. This represents 5.4% of the \$332 billion a year that the Canada Revenue Agency collects.

• (1110)

[Translation]

Accounts receivable represent taxes and duties owing at a given point in time. This is an inventory that undergoes considerable turnover as new accounts arrive and existing accounts are resolved.

Our field collectors collected some 440,000 accounts valued at \$8.8 billion in 2004-2005. This is a marked improvement over prior years given that we were able to prevent further growth in our inventories.

Accounts receivable do not represent lost revenues. Instead they represent money owed to the government by taxpayers, the majority of whom will eventually pay the outstanding balance and associated interest. The \$18 billion owed at the end of 2004-2005 included a significant number of new accounts, many of which have since been collected during the course of the 2005-2006 fiscal year.

[English]

We are pleased that the Auditor General noted certain areas of improvement that the agency has made since 1994 and also recognized some productivity gains associated with our collection efforts.

Cash collections from our workforce rose from \$5.3 billion in 1996-97 to \$8.8 billion in 2004-05. This means that each collector is now collecting \$2.3 million of revenue per year, compared to \$1.8 million in 1996-97. We've exceeded our Treasury Board cash commitments tied to the past influx of additional resources. Furthermore, from 1996 to 2005 the agency resolved some \$80 billion in debt, which represents a significant portion of overall tax debts that came into the tax collection program inventory over that period of time.

Tax debts, unlike private sector debts, do not originate with clients we have voluntarily picked or chosen to extend credit to. This is noted in the Auditor General's report. This is an important difference, obviously, as it significantly affects our ability to limit risks, and this adds challenges to our capacity to manage and restrict growth in our portfolio of receivables.

The Auditor General's report mentions that while the agency has made improvements to the collection of tax debts since its last 1994 report, that tax debt continues to grow at a faster rate than total taxes paid. This is correct, although we were able to contain the growth in accounts receivable in 2004-05, and our results for 2005-06 are encouraging. We are dealing with complex legislation and complex systems.

Systems improvement and business transformation are continuous processes requiring a long-term vision and a high level of commitment. The challenge for the agency, as described by the Auditor General, is to turn our vision of an integrated revenue collection system and a more modern approach into reality through detailed planning, focused management attention, and measurement of results. I think we all agree on what needs to be done, and we believe we're well positioned to take on these challenges.

Those are the only opening remarks I wish to make, Mr. Chair, and I am pleased to take any questions.

The Chair: Thank you very much, Mr. Baker, and thank you to your officials for being here.

We're going to go now to the first round.

Madam Ratansi, you have eight minutes.

Ms. Yasmin Ratansi (Don Valley East, Lib.): Thank you, Mr. Chair, and thank you to the team.

I would like to reiterate that the Auditor General is really held in very high esteem by Canadians. Whatever the Auditor General says, Canadians listen and regard it as the truth. So I'd like to draw your attention to a statement that was made in the House, to see whether you said, or can recall saying, these things.

In response to a question asked by the member from Yorkton—Melville, the respondent says:

Now the Auditor General has confirmed what the member for Yorkton—Melville has said and what we have said, that while he was raising these concerns, the federal Liberals in high places were conspiring to hide those overruns from Canadians and in contempt of Parliament.

I'd like to know if you ever made a statement to that effect.

• (1115)

The Chair: You're out of order, Ms. Ratansi.

Is this about debt collection in the Canadian Revenue Agency?

Ms. Yasmin Ratansi: I'd like to come to that. But I'd like to make sure the Auditor General's—

The Chair: No, we'd like to come to it now.

Ms. Yasmin Ratansi: Mr. Chair, the Auditor General has a very high reputation, and we cannot keep on—

The Chair: We know that. But—

Ms. Yasmin Ratansi: —assigning things to her that she hasn't said, which will really be detrimental to her reputation. As an auditor, I'm quite concerned about that.

The Chair: Ms. Ratansi, this meeting is about the Canada Revenue Agency's collection of tax debt, so we've going to ask that the—

Ms. Yasmin Ratansi: Fair enough. I just wanted to ensure that the auditor was aware of these things.

I have a question then to the Canada Revenue Agency.

The auditor states that after the 1994 audit, CRA had taken a number of steps to modernize the collections operation. I know you're new to this, Mr. Baker; you've just taken over. What are the systems that have been in place, and what are some of the challenges of the system? If you could answer that, then I can go forward with the next round.

Mr. William Baker: I'll start, and then with permission, Mr. Chair, I'll pass this to my colleague Mr. Proulx.

There have been long-standing systems in place to support the agency's work in collections. I think we recognize, though, that we have to do some development of more sophisticated systems that allow us to do proper risk management and selection of files. This is the nature of revenue business, risk management, and then targeting our resources at the areas of the greatest return for the Canadian public.

With that context, perhaps I'll ask my colleague Guy Proulx to respond.

Mr. Guy Proulx (Assistant Commissioner, Taxpayer Services and Debt Management Branch, Canada Revenue Agency):

Following the 1994 audit.... Just to set the record, back in those days, just after the merger with customs and also with the GST, we had some challenges with stand-alone systems. Our focus initially, back in 1994, was to integrate the GST and these other business lines that were merged into our department on our base of legacy systems.

Also at that point in time, recognizing that our risk profiling approaches were deficient—this was in follow-up to the OAG recommendations—we invested significantly in building updated risk profiling systems. We actually built what I think is the only outbound government call centre in Canada to call people who owe money, whether in GST, T1 debts, or individual debts—all kinds of things like that. As well, some of these old legacy systems don't last forever; they need to be modernized. So at the same time, we invested significantly in the maintenance and update of these older systems.

I'm going to talk more to the challenges. Sometimes it's better to take two steps back than two steps forward on some of those challenges, because the investment in systems, especially in old legacy systems that have a lot of shortcomings.... Sometimes new technology is much better than investing in older technology and rebuilding old systems. That's the point we're at right now in terms of reinvesting and modernizing the basic systems we use to manage our collections workloads.

Ms. Yasmin Ratansi: What concerned me a little was that the auditor stated in her opinion, when she was giving you the recommendation, that performance could be enhanced and the cost of collection possibly reduced if results-oriented information could be developed and performance measures and debtor profiling be put in. In response, the CRA was not very embracing of those recommendations.

Could you clarify why you were not embracing of the recommendations? You just “supported” them. What did you mean by “support?”

Mr. Guy Proulx: My understanding is that we have agreed with all of the Auditor General's recommendations. Basically we are putting in place various actions to address all of the recommendations. So I'm not sure that I agree with your statement that we are not supportive of the recommendations.

Ms. Yasmin Ratansi: That's what our research shows us. So the bottom line is, what sort of debtor profiling are you doing? Are you doing any debtor profiling?

•(1120)

Mr. Guy Proulx: The debtor profiling issue is a complex issue when you look at the various types of debts that we manage: individuals, business, self-employed, corporate taxes, GST, and the list goes on. What we are looking to do is to accumulate all this information into one system where we will be able to risk-profile all of the issues around that tax base, and then we will be able to address all of those issues through a more strategic use of the information that currently resides in this agency but is not being well captured. With the data and the information, there's a gap there. So we have invested heavily into more modern risk profiling techniques, such as data warehouses and data mining. We are developing the risk profiling, and we have hopes that in the near future we will be able to roll out this new technology as we migrate business line by business line on the new platform.

Ms. Yasmin Ratansi: As you're migrating to these platforms, how are you accommodating the changes that are taking place in the reduction of the GST, but also in the increase in the income tax and different tax credits? Do you find that those systems will pose challenges as these things are going to be implemented? Or will it be smooth sailing?

Mr. Guy Proulx: There are different types of systems in an agency our size. We have accounting systems that manage the accounting for all of our revenue lines, and if there's a balance outstanding, that's passed on to a collection system. So whether you upgrade the rate or reduce the rate, in the end if the taxpayers pay on filing, we never see those accounts in revenue collections. So it's only if there's a balance outstanding, and I think your question is more about how we accommodate rate fluctuations.

Every year the government comes up with a budget, and there are many different issues that affect the actual taxation of individuals: tax credits, raises or reductions in personal income tax, and things of that nature. So I think the agency has a very good track record of being able to adapt on a yearly basis to those fluctuations. If there are any balances outstanding at the time of filing, those are passed on to our collection systems. I think that's the area that the OAG is basically suggesting needs a lot of attention.

Ms. Yasmin Ratansi: So in the \$18 billion that you have as outstanding debt, what is the aging of that debt?

Mr. Guy Proulx: I think that's in the actual Auditor General's report. It's depicted in one of the charts.

Ms. Yasmin Ratansi: Is it two to three years? Is it two years or three years?

Mr. Guy Proulx: No. Like in all portfolio accounts, we have less than a year, one year, two year, less than two, up to five, and more than five. So there are various size of debts and various agings of debts in the report.

Ms. Yasmin Ratansi: What is the benchmark you're going to achieve?

The Chair: Your time is up, Mrs. Ratansi. Thank you very much.

We're going to go now to Mr. Lemay. *Huit minutes, s'il vous plaît.*
[Translation]

Mr. Marc Lemay (Abitibi—Témiscamingue, BQ): Thank you, Mr. Chairman.

Thank you, Ms. Fraser. We have met several times over the past few weeks. Everyone is very interested in all your reports.

I would like to start by asking a question of the person representing the agency. Each year, the agency collects \$332 billion in revenue. I do not want the exact figure because there is a danger of excommunication, but roughly how many clients—I suppose that is what we are called—does this represent? If you include corporations, do we have an idea of the approximate number?

Mr. Guy Proulx: I will give you a rough idea, because the number fluctuates all the time. In Canada, some 23 million individuals fill in an annual income tax return which is also used to calculate benefits for the child tax credit and for the GST tax credit. There are approximately 1.5 million employers and a similar number of corporations in Canada. There are also 2 million or more entities registered for the GST that send us in amounts of money and complete returns varying in frequency depending on the area of activity.

Mr. Marc Lemay: I did not have time to note down all the figures. Can you send us a brief summary to tell us what these numbers include?

•(1125)

Mr. Guy Proulx: I believe this information is already included in our annual report.

Mr. Marc Lemay: Okay.

Mr. Guy Proulx: They should be there. We will ensure that they are.

Mr. Marc Lemay: Do the 23 million individuals include the corporations?

Mr. Guy Proulx: No.

Mr. Marc Lemay: So we have to add the roughly 2 million companies, the entities registered for GST purposes, etc.

Mr. Guy Proulx: Yes.

Mr. Marc Lemay: What I'm interested in is the total number of files you process. How many would it be, 30 or 40 million?

Mr. Guy Proulx: You're asking how many accounting transactions we have with taxpayers. There are a number of dimensions involved. A number of accounting entries are made for each taxpayer.

Let me give you a rough idea. For example, for employers, we have some 11 million transactions that generate some \$160 billion.

Mr. Marc Lemay: Let us take the case of an ordinary person like myself, like all of us. I have to complete an income tax return every year. I do that, I receive what is called a notice of assessment, which shows me that I paid everything that I was supposed to. Six months later, I get a new amended notice of assessment which states that my file has been audited and that I had neglected to pay \$1,284.32. I'm giving you a hypothetical case here that is not my own; I hope you will not be calling me up tomorrow morning.

Some hon. members: Oh, oh!

Mr. Marc Lemay: I would like to know when the recovery principle comes into play. Is it 30 days after receiving the amended notice of assessment? What is the procedure at the agency?

Mr. Guy Proulx: I will take the case of an individual, since that is the one you mentioned. Generally speaking, people complete their income tax return and the notice of assessment is issued. If an amount is owing, this will appear on the notice of assessment. Individuals have 90 days to appeal or to file a notice of objection to the notice of assessment. No legal collection procedures can be undertaken during those 90 days. However, on the 45th day, generally, the account is brought to the attention of our risk management system. At that time, you will get a first collection letter. After 45 days, we are going to start thinking about calling you. We make outgoing calls from our call centre located in Ottawa. So you would no doubt get a call from our call centre and we will try to convince you to pay the amount owing. If the amount is not paid within 90 days, the account is transferred to collection agents located in our local offices.

Mr. Marc Lemay: If I file a notice of objection, you do not call me.

Mr. Guy Proulx: The process stops until the notice of opposition is dealt with. No collection measures are taken unless the account is very high risk. In that case, we can go to a judge, to a court, to try to convince it to cancel your rights and to allow us to take forced recovery measures. We would do that if you were about to leave Canada, for example, or if we had some indication that there was really a danger that we might not recover the amount.

Mr. Marc Lemay: I paid careful attention to what Mr. Baker and Mr. Proulx had to say, Ms. Fraser. In 1994, the GST was introduced. Why was there a 10-year wait before anyone checked whether your 1994 recommendations had been followed? Were you waiting until the GST was firmly in place or did you simply have other things to do?

Ms. Sheila Fraser: May I add something with respect to your first question. I would just like to state that when we talked about \$18 billion in collection accounts, that referred to non-challenged accounts. Accounts where an objection has being filed represent an additional \$6 billion. The audit focused on accounts where there was no notice of objection.

With respect to your last question, I would say that the reason is simply that we had a series of audits to do with the agency and at the Department of Revenue at the time. Given the scope and complexity of the operations, it took some time before we got back to the collection service. That was not necessarily because some systems have been put in place, but rather because that was in keeping with the work plan.

• (1130)

Mr. Marc Lemay: I read the notes I received. What concerns me is the fact that a number of these debts date back more than two years. I was a lawyer in an earlier life and I know that if clients do not pay immediately, the more time goes by, the less likely it is that they will pay at all. That is my experience from the legal profession.

So what is done? What did the agency do to try to recover these amounts that date back over two years?

The Chair: This is your last question, Mr. Lemay.

Mr. Marc Lemay: Yes, I suspected that.

Mr. Guy Proulx: In 1997, we set up an integrated risk management system. It does have some weaknesses, but that year, in 1997, we established our call centre to try to collect the accounts we received more quickly.

Second, the OAG mentioned in the report that we have established labour pools, whereby all new accounts were given priority processing rather than being sent to collectors throughout the country, because the collection potential is greater in the case of young debts.

In the case of old accounts, often taxpayers are temporarily unable to pay or circumstances are such that the debt cannot be written off under the Financial Administration Act. If we were in the private sector, a number of these debts would not have a high collection potential, but we are talking about cases where the taxpayer has not died. The debt exists, and often we have to work over long periods of time. We provide a type of credit counselling for taxpayers. The fact that the debt is old does not mean that it cannot be recovered. It is often active, but it may take several years before you can collect the balance. So there are a number of factors that come into play.

Our objective is to reduce the age of accounts as much as possible and to collect most of them as soon as we get them. We do not want to exacerbate the problem.

[English]

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

Mr. Fitzpatrick, please.

Mr. Brian Fitzpatrick (Prince Albert, CPC): Thank you, Mr. Chair.

Maybe I'll start off by looking at some of the other things that the revenue department might collect for the government, simply for clarification.

Do you do student loan collections? Do you employ the same methods for collecting student loans as you do for regular tax violators?

Mr. Guy Proulx: Since August 1 of last year, the government transferred the collection of overpaid CPP payments and overpaid EI payments and also the collection of student loans to the Canada Revenue Agency. There was a wholesale transfer of staff resources and the existing powers that were within HRDC to collect those existing debts. So CPP and EI have tax collection powers that are very similar to the ones in the tax department, where we can take administrative garnishees and things of that nature and offsets.

When it comes to student loans, that's like a private sector debt. We have to seek judgments and apply judgments in court, and we need court judgments to do garnishees and things of that nature.

Mr. Brian Fitzpatrick: Frauds against the Government of Canada, like the most recent one, the sponsorship thing that's working through the courts—and I think we are starting to get some convictions and debts owing—once the determination has been made that Mr. G, or whoever it might be, has taken millions of dollars from the Government of Canada illegally, would that be turned over to your agency for collection?

Mr. Guy Proulx: That's not a student loan, CPP, or whatever, and it's not a tax either. Unless there's a tax component to it.... We would handle the tax component, but the actual recovery of issues that go to court like that, where there are lawsuits and things of that nature, has nothing to do with taxes.

• (1135)

Mr. Brian Fitzpatrick: During the last election campaign, I ran into an individual who used to work for one of the credit agencies. He is unemployed now, and he'd spent 20 years working in that area. He said that Canada's privacy laws had virtually eliminated his job at the agency he worked for.

Do you find that Canada's privacy laws restrict your ability to track down the debtors and collect your money?

Mr. Guy Proulx: I wouldn't say that. I think the privacy laws are there to protect the privacy of individuals. What we do have is access to a fabulous amount of information within the tax department. Quite often debtors are also recipients of GSTC credits or CTB credits, so we know where they live. We send a cheque to them every month, so we can use the tax information system to track people down.

We have good success with our own tracing. If somebody is employed, we have access to the last year's T4. We can find out where the employer is located. We can use a lot of this information; it is ours.

Mr. Brian Fitzpatrick: When you are collecting money from tax debtors, does the money your department collects have priority over child support payments in the system? I had a file in my office once, and my recollection is that the tax department actually had priority over those moneys from child support. Do you know if that's the case?

Mr. Guy Proulx: I know we have a lot of agreements with child support agencies that file with us looking to intercept tax refunds. Generally speaking, when we apply for tax debts, our garnishees trump other creditors for tax money. When we use our tax authority, we can go to the bank account or accounts receivable. I think our priority is better than those of child support agencies.

Mr. Brian Fitzpatrick: The government in Canada comes ahead of the children in need of child support. If that's the case, I probably take issue with it. In my view, that one should have a priority over the government in Canada.

The report says the riskiest files aren't given priority, or should be given priority. Auditor General, am I to assume, when you refer to giving priority to the riskiest files, that these would be people who may have the ability to pay a good deal of the debt and who may have large holdings and assets, but are risks because they could move offshore or leave the country, thus escaping the ability of the tax department to access their assets? What were you thinking of when you were talking about riskiest files?

Ms. Sheila Fraser: In part, that could be one element of riskier files. We were thinking more, though, of files on people or businesses declaring insolvency—going bankrupt. The agency should take quicker action to identify those files and should try to do collection activities faster on them.

The agency has several methods of collection, and one of the important things is to make sure the account goes into the right

stream so that collection activities are the most effective. They need better information on that.

Mr. Brian Fitzpatrick: Does the department agree with the Auditor General that we have to do a better job in this area?

Mr. Guy Proulx: We agree that when you look at the best-performing private sector collection organizations, they make extensive use of data mining, data warehouses, and risk profiling. They capture data associated with the circumstances around the existence of an account; then they can design more strategic ways and approaches to deal with these issues.

As an example, if somebody went bankrupt once or twice and we ended up writing off those accounts, then if that name resurfaced again, it should probably jump to the head of the queue somewhere. Those are the challenges we have in terms of the design of our legacy systems; they were not built to do that.

Mr. Brian Fitzpatrick: What's the limitation period on a tax debt? Is there such a thing, or is that a lifetime project? Does it go right to the grave?

• (1140)

Mr. Guy Proulx: It's 10 years. It's 10 years since the Markevich case. However, you have to bear in mind that the 10 years could be extended, based on various types of circumstances such as judgments, recognition by the taxpayers, a lien on our part, and things of that nature. If we do nothing to a debt for 10 years, then I think the statutes of limitation would kick in, but if the taxpayer does certain things and if we do certain things, that 10 years could be extended. If we take a mortgage on it, then a lien would provide an extension to that 10 years.

Mr. Brian Fitzpatrick: There was reference to best collection practices. You apparently canvassed the private sector. Maybe it was provinces or some other government somewhere else, maybe it was Russia or something, I don't know. Who were some of these people you canvassed for best practices?

Mr. Guy Proulx: We do look at other countries. All countries are involved. These systems and approaches should be evergreen. We shouldn't put them in and then not—

Mr. Brian Fitzpatrick: What's the best practice?

Mr. Guy Proulx: What is a best practice?

Mr. Brian Fitzpatrick: The best.

Mr. Guy Proulx: I think the best practice is using data warehouses, doing data mining, and doing risk profiling, and then designing collection strategies that may be different from one taxpayer to the next, because the circumstances of those debts are really different from one taxpayer to the next.

Mr. Brian Fitzpatrick: Thank you.

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

Mr. Christopherson, you have eight minutes.

Mr. David Christopherson (Hamilton Centre, NDP): Thank you very much, Chair.

Thank you all for your attendance today.

I'm going to be focusing primarily on some of the specifics around why 12 years after the audit we've still got major issues unresolved that were already been identified in 1994.

If I might, Chair, I'd just like to put on the record two paragraphs, one from 1994 and one from now. In the 1994 audit, the Auditor General said, and I quote:

The Department has undertaken a number of initiatives to modernize collection operations. Further improvements are needed. In our view, overall collection performance could be enhanced and the cost of collections could possibly be lowered by improving results-oriented information, strengthening standards of performance at the collector level, instituting effective risk scoring and debtor profiling of accounts, fast-tracking collection of all large debts, and evaluating the effectiveness of collectors and teams in recovering cash on amounts owing.

That was in 1994. Now, 12 years later, the Auditor General says, and I quote again:

We found that the Agency's approach to assessing tax debts for risk continues to have major weaknesses that impede their timely and efficient collection. We also found that the Agency has taken some steps to handle tax debts efficiently, but much more needs to be done. Management lacks the information it needs to understand the makeup of the tax debt and to develop strategies and allocate resources in a way that would significantly improve the situation. It also lacks the information it needs to determine whether it is using efficient and timely processes to collect tax debts.

Those quotes can be found in the researcher's documents.

My simple question is why they sound so very similar. Why? Why do we have a whole series of problems that need to be addressed? For the most part, I think you agreed to address them, and 12 years later the findings are very similar. I'd like to know why. Why wasn't more done on these priority issues, as they were previously identified?

Mr. William Baker: I think first of all we don't disagree with what you're saying. More needs to be done. I don't think it's necessarily the case that every weakness found in 1994 is exactly the same weakness as is found today, but some are the same.

Mr. David Christopherson: Sure. Many.

Mr. William Baker: I can tell you that based on my many years' experience at Revenue and particularly over the last 20 years, notwithstanding the size of the agency, we have to be extremely thoughtful about where we make investments in terms of, for instance, new information technology systems, risk management, and so on. There is quite a delicate balance to keeping the revenue administration operating properly, so in any given period of time we're targeting investments in certain areas. Reference was made earlier to "targeted investments in the GST", for instance, in the 1990s, to get that system up and running. Recently, the Revenue Agency implemented a revised corporate tax system. At any point in time, there is focus in certain areas.

I can tell you, just based on the brief time I've been back at the agency, that the attention being focused on the collections file is quite significant. I'd like to point out one thing in particular. Collections used to be part of a section of Revenue under the control of an assistant commissioner who looked after many aspects of the

operation. For the last couple of years we have had an assistant commissioner, Mr. Proulx, who has been assigned primary responsibility for the tax collection function. I think that increased senior leadership focused on that, as well as the development under way on what we've referred to as the integrated revenue collections project, which is a critical system development project that is coming into its own, is going to make a big difference.

But we don't dispute that there's more work to do.

•(1145)

Mr. David Christopherson: Thanks. I hear you, and I know it's complex. I don't want to sit here and be an armchair quarterback and tell you to fix it, but I have to tell you that's still not a really good answer as to why so many things still remain unresolved a dozen years later.

I have two questions for the Auditor General.

One, given the amount of money that's involved here, I do think it is fair to ask why it took so long for your department to go back to this group and do the follow-up. It just seems like a long time when you've identified key problems. Obviously it involved tens of millions of dollars over that period of time. Is there a reason, Auditor General, why your department would wait so long to go back in?

Ms. Sheila Fraser: I don't think there's any real good reason I can give you, simply that the planning of the issues that we audited in the department... We would do two or three audits a year, and for many years it tended to be done on a cyclical approach. We would cycle through, for example, corporate tax, individual tax, trust tax, so by the time we got around to it....

I'm not sure that's a particularly good answer.

Mr. David Christopherson: It's on the weak side. It's been identified, and I'm sure you'll work to address it. Hopefully we won't see too many large gaps like that in the future.

I would like you to comment on what you heard—I was using your words. You made both comments out of 1994. Now that you've heard what the department has to say, can I hear your thoughts on what you've heard as an explanation?

Ms. Sheila Fraser: The comment I'd like to make is that the agency has agreed with the recommendations, it has indicated that this is a priority, and they are articulating this vision—2010—which, if put in place, would address many of the issues that have been raised. The main issue we're raising in this is that we really think there needs to be more detailed, concrete action plans to support that. This is not going to be an easy thing to do, and it will take time to introduce these more sophisticated risk management techniques and information systems.

What we would like to see are more concrete action plans and specifics about how this is going to be accomplished. That would give us more reassurance that it is being made a priority, and that it will get addressed over time.

Mr. David Christopherson: Thank you.

I note in your opening comments that as much as the department puts a big focus on that vision, you do have specific concerns, and I want to put out those very concerns. You write in your report today that the key question with regard to the vision is when you will see the desired results. You're commenting that we may wish to ask the agency to provide us with a detailed action plan and timetable for completing the vision, and regular progress reports.

It sounds like a good idea. Are you willing to undertake to do that at this point?

Mr. William Baker: Absolutely. On our own, we are developing action plans to effect these changes, and we would expect the committee, in the form of its report following this review.... If that were requested, we would most certainly respect that request.

Mr. David Christopherson: I would then, Chair, ask you to just hold a spot for a motion at the end, where we would pass something. I'm going to propose that we pass that, that we ask for that information and that we put a deadline on when that report is coming—with the information in there.

Thank you, Mr. Chair.

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

We're going to go now to Mr. Wrzesnewskij for eight minutes.

Mr. Borys Wrzesnewskij (Etobicoke Centre, Lib.): Thank you, Chair.

Mr. Baker, it seems you always get the easy files.

I'd like to go to the Auditor General's opening remarks. Under point seven, she said, "We found that management does not have a good understanding of why the amount of tax debt is growing at a faster rate than total taxes paid...". There are a number of flags raised, but this was the big one, it appears. Out of that, in conclusions drawn, the key question is, when will we see the desired results?

I'd like to step back. I'm not quite sure, in the information that we have.... I assume the department would have accurate information. In this committee we often talk about matching expenses to the years, accrual accounting. We get into all of those issues. But nowhere could I find information that shows the debts or taxes not collected matched to the revenues for those years. We have an aging graph, but that would show....

I'm just wondering—this is very worrisome—do we have accurate enough information to substantiate this statement?

• (1150)

Ms. Sheila Fraser: On page 245 of the report, in exhibit 8.3 we show the tax debt at the end of the year compared to total cash receipts, year by year, from 1996-97 to 2004-05, and it shows that tax debt has grown 88% and cash receipts have grown 48%.

Mr. Borys Wrzesnewskij: Yes, but that's not exactly what I'm getting at. It's for a particular year, the actual revenues that are generated and separating out past bad debts that have been collected. For instance, after 1994 there was a call centre established. It was soon after the introduction of GST. It appears that the call centre was quite effective. I might have the numbers wrong, but it was \$2.3

million per person at the call centre—or \$3.2 million, one or the other—that's been collected.

What I'm having difficulty in getting at is numbers that show that for a particular year these were the revenues that we should have been able to collect, this is the shortfall. It is removing and peeling away what's happened in past years. You could have overlaid your business cycles. We were into a recessionary period and a post-recessionary period, besides the extremes of bankruptcies, and a lot of people extend...one of the things they try not to do is pay their taxes. So there isn't real clarity in the graphs and the numbers that we could bite down on and say that.... It appears there is a problem, but I'm not 100% sure that the statement can be accurate without having the correct information.

Mr. William Baker: Mr. Chair, we certainly can disaggregate data to show, for particular revenue streams, which tax debts emerge each year. Of course, there are often complicating factors. But it's not quite straightforward. For instance, if someone files a notice of objection or appeals an assessment, that suspends that debt. Often, if it's a corporate tax file, it could be years before there's a resolution of that objection or appeal. But we can tell you in a particular year and disaggregate that. I don't think that detail is in the report, but that information is available in our data system.

Mr. Borys Wrzesnewskij: I think with that sort of conclusion, that data would have been helpful to provide some additional clarity.

There's a sample breakdown of the types of debts out there, and personal debt seems to be the highest category, followed by corporate, then GST and payroll. Is there an average size to those? Once again, for interest's sake, I think the collection methods in each would be quite different.

Mr. Guy Proulx: It's very hard. The answer to your question is yes, there is an average, but it is divided by how many owe and what's the value. An average is quite often a very bad representation of what the true reality is.

I can tell you that most of our volume is with individual debt, but the amounts are generally smaller. Many Canadians come into issues owing \$1,000, \$1,500 and things like that. Quite often they are seniors, because they have multiple sources of income but not enough source deduction on each, and they come at time of filing and they owe small amounts.

So there is a variety, and that I think is exactly the point the Auditor General is making in terms of our capacity to analyze. Our systems were not built to do that kind of analysis. We need to build the data so we can do that type of analysis, so we can basically have a better and more strategic way to approach these types of circumstances. If there are seniors with lots of small amounts, we can apply a strategy to it that could be different from the strategy for self-employed Canadians who are short on their quarterly instalments, who owe us \$25,000 at time of filing. That's a different business challenge to us than collecting from seniors.

• (1155)

Mr. Borys Wrzesnewskij: Which flows into my next question.

For instance, with that call centre, which you reference as a success, having set that up, do the callers specialize in the type of debt, whether it's GST, personal income, size of debt, etc.?

Mr. Michael Snaauw (Director, Accounts Receivable Division, Taxpayer Services and Debt Management Branch, Canada Revenue Agency): Mr. Chairman, the workloads are streamed separately, because the accounts come into the agency on the different cycles. GST is on a different remittance cycle; T1 is the annual cycle. But the actual call centre agents who make the calls—and the calls are actually initiated by a predictive dialler—swap between one workload and another because the skill sets and training are quite generic.

Mr. Borys Wrzesnewskyj: Thank you.

Coming back to the comments I made about business cycles, is there any preparatory work done? For instance, if we know that we're into an expansionary cycle, and it appears that we will be for a number of years.... We look at the past most of the time here. But do we plan forward to say that at a certain point interest rates are going to go up, people are potentially going to get themselves into trouble, and the consequences of that, based on data, show that we'll have an increasing demand for people, for instance, in the call centres or as field workers, and so on?

Thanks.

Mr. Guy Proulx: There is a whole lot of data that's external to this agency, which I believe, and we recognize it, we're not making strategic use of—levels of indebtedness, the ease of achieving and obtaining credit in the private sector. When you get into the dilemma of not having enough cashflow to pay all your creditors, including taxes, who draws the short straw? That's where we need to have our processes in place so we can predict, through mathematical models, what those trends will be and then develop them into the future. That is part of our future vision.

I'll come back to your question. At the call centre, every year we have estimates of workload. Call centre agents get ramped up at different times and peaks in the year. They are trained. Their job is not the hard core collection; it's the friendly, rehabilitative attempt to get the taxpayers to manage their tax debts in the same way as they manage their private sector debts, which is to entice them to pay, telling them that this is the easy way to get out of this problem. Otherwise, we have collection powers that will get more definitive and more harsh—legal action and garnishees and things of that nature.

So while we would like to have better statistical packages and information about the true performance of our call centre, because it was done with the goal of initiating those calls, we know it's efficient, and program evaluation people in our own agency have concluded that a 30% reduction in workloads materialized out of that call centre, and that people do voluntarily comply.

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

Mr. Sweet, you have eight minutes.

Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC): Thank you.

The real issue, to me, is one of fairness, when there is \$8 billion not collected, and of course there's another \$6 billion as well. I think

most of us have had constituents come in at some time to talk about their issues in cases where they felt they were harshly targeted for collection. For them to see \$14 billion uncollected when they've had to capitulate is a tough one. So I'm asking the questions in that frame of mind, so we will fix this, so people who do honour our tax system, who do pay, feel that there's some confidence that everybody else is complying as well.

The Auditor General mentioned in the report that the vision was...I think the term you used was "optimistic". Is it too optimistic, do you think, as far as being able to put in some kind of framework and some performance standards is concerned?

• (1200)

Ms. Sheila Fraser: I think, Chair, that the term we used was "ambitious"—

Mr. David Sweet: Ambitious. Okay, thank you.

Ms. Sheila Fraser:—rather than optimistic. So again, it goes back to, I think, our interest in seeing the sort of action plans and timelines going forward to ensure that those ambitious targets can actually be met.

Mr. David Sweet: And Mr. Baker, how long until we take it from a more conceptual vision to a strategic plan?

Mr. William Baker: First I'd add that I think it's fair to say that Canada Revenue Agency has quite a history of dealing with ambitious timeframes and, on balance, has a good record of performance in meeting them.

As indicated by my colleague Mr. Proulx, we will be developing two things here. There's the response to the Auditor General's report, and then there is the agency's vision for 2010. The achievement of improvements across the full range of tax programs is something for which I'm accountable, and collections is a key part of that. So we're developing specific plans, and in fact some of them are being actioned right now.

The critical ones in the area of collections, certainly, revolve around a couple of things. First is to make sure we're organized to be as efficient as possible. The report, for instance, talks about call centres that have recently been set up to handle routine workloads so that every file doesn't have to go to an individual specialist in a tax office to action, and it talks about work on the integrated revenue collections project. Information is the fountain of creativity for everything we do. That's going to be absolutely central to our way forward.

Mr. David Sweet: My colleague, I'm certain, is going to put forth a formal motion that you report to the committee. So one of the first reports I would like to see would be a strategic plan, so we know what we're going to hold you to account to. Is that in the short term? Is that 90 days away, six months away?

Mr. William Baker: We're working on that, and we would certainly respect whatever deadlines the public accounts committee presents to us in terms of reporting.

Mr. David Christopherson: I'm looking at September 30, but I'm flexible. I'm just trying to find a reasonable time this summer. I thought of doing it by the end of September.

Mr. David Sweet: Okay, so by the end of September could you actually have a full-blown strategic plan around your procedures for a more robust information collection process, a way to actually get the numbers down for cash receipts versus tax, maybe even to the point where we'd see the 4% numbers?

Mr. William Baker: My colleague says we can do that, but he'd like to make sure you put some details...*[Inaudible—Editor]*

Some hon. members: Oh, oh!

Mr. William Baker: I'm interested in hearing them.

Mr. David Sweet: Madam Fraser knows how interested I am in performance standards and outcomes.

Can you just help me with risk management? I can understand the age of the account, the risk of flight, and the risk of insolvency, but what else is going to affect the risk management of this tax debt not being collectible?

Mr. Guy Proulx: It's not just not being collectible. I think the issue here is that we are likely sending workloads to people we should not be sending to, because the account will find its way to resolution. The new generation of systems have memory, they recall, and they can go back and say, if that taxpayer paid after the second letter or the first letter, then we may not need to involve a lot of people in that, because that kind of profile will tell us that.

On the reverse, we send a lot of our accounts to collectors that probably are too complex for that level of collector. We should know ahead of time which accounts are the most complex, and we could send them straight to a more expert collector because the complexity of dealing with the cases will require roadwork, it will require an agent who has more training; it's a more complicated debt, a repeat type of situation. Those are the criteria we are looking to acquire in our data, so we can actually become more strategic in the way we use our resources and adopt strategies better suited to resolve those cases.

• (1205)

Mr. David Sweet: I wanted to give you an opportunity to respond to something on the record, to deal with it in public. A news article, which appeared on May 22, 2005, reported that the mismanagement of the agency is the cause of the current level of the \$18 billion in unpaid tax debt. According to this article, which is cited by a debt collector, it's a system plagued by inefficiency, one that rewards managers with financial incentives regardless of whether debts are actually collected, and a large percentage of CRA debt collectors at the north Toronto office are just sending letters and waiting because it's easier than contacting debtors on the telephone.

I wanted to give you the opportunity to respond to that.

Mr. William Baker: You're referring to the views of an individual, and I can tell you that the agency sets performance standards for all its programs. Individual senior executives such as Mr. Proulx are accountable in terms of achieving specific outcomes, both in terms of core production and strategic initiatives, as we discussed earlier—for instance, the integrated revenue collections project, and so on. So it's by no means as relaxed or as casual as suggested in that article.

Mr. Guy Proulx: I would also like to add to that. None of our collectors is rewarded on the basis of what they do collect versus not

collect. They are not like private collection agencies and no part of their remuneration is tied to collection versus write-off versus not collected.

Mr. David Sweet: The remuneration is strictly a salary?

Mr. Guy Proulx: Remuneration is negotiated as part of our collective agreements. If you are a PM-1, you get a PM-1 salary. You're trained to do that job, and you are asked to perform duties described in a job description, interacting with systems and taxpayers and things of that nature. None of our financial collectors is tied to bonus systems, tied to production. It's more quality than quantity, and we do not have quotas.

The Chair: Thank you, Mr. Sweet, Mr. Proulx, and Mr. Baker.

We are now starting round two with colleagues, and I'm going to move first to Mr. Bains for five minutes.

Hon. Navdeep Bains (Mississauga—Brampton South, Lib.): Thank you very much, Mr. Chair.

I have a question with respect to the \$18 billion in tax debt. I'm just trying to put that in perspective. You indicated in your remarks that a significant portion of the \$18 billion was attributed to new accounts and was collected. Do you have that amount? Do you know what that amount is?

Mr. Guy Proulx: There is churn in there. What we can tell you is that when you get into the age and balance of an account, a lot of these new balances are actually added to previous accounts. It's like a visa bill that you haven't fully paid, so they add to that and collect money on that. Then the question is which part of the debt you collected. Is it LIFO or FIFO? And you get into all of these accounting debates.

The purpose of the message is that every year we get about 440,000 accounts and we collect about \$8 billion to \$10 billion. The money we collect in one year is money that's associated with new accounts, older accounts, accounts that are five years old, four years old, three years old. It's whatever we can collect on all of the outstanding portfolio.

As one of the members pointed out, it's obvious that the younger the debt, the more success we have in collecting it. Those are debts that go to collectors. There are more debtors who pay on the basis of a letter. There are debts that are paid on the basis of a call from the call centre. Those never go to agents. What I'm talking about today is 4,000 collectors collecting about \$9 billion to \$10 billion a year.

Hon. Navdeep Bains: On the \$18 billion, when you indicated that many of the significant new accounts have been collected during the course of this fiscal year, do you have a dollar value associated with that collected portion for the fiscal year 2005-06?

Mr. Michael Snaauw: Mr. Chair, we have a preliminary figure for 2005-06 that suggests we collected \$9.5 billion through our field collections workforce. That maps with the Auditor General's observation of the prior year of \$8.8 billion.

• (1210)

Hon. Navdeep Bains: Based on that—and I'm not saying that number is inflated—the number subject to the new collections is approximately \$9 billion to \$10 billion, in light of the amount that was collected in 2005-06.

Mr. Guy Proulx: We could try to give you the exact figure of how much of the \$9.5 billion that we did collect was associated with the year before, but then you're into the aging and the cycling of accounts.

Hon. Navdeep Bains: That's fair.

You indicated, Mr. Baker, that tax debts are unlike private sector debts. You don't actually go out and solicit clients; you're dealing with the general public. How does the tax revenue agency's 5.4% of tax debt compare to the private sector, for example, say, banks, private institutions, or other institutions? How does that compare?

Mr. William Baker: My general understanding is that an outstanding amount of tax debt in that range is not unusual for types of businesses. What makes us unusual is the sheer volume—\$18 billion is \$18 billion. It's a difficult number to ignore, even if it is only 5% or 6% of the total amount that we collect every year.

The main difference between us and the private sector, as you pointed out, is that we don't choose our clients. They enter the system without our permission and we have a duty to collect. On the one hand, we probably have the toughest measures available to collect tax debt in the country. On the other hand, we're held to a standard by parliamentarians and the public in the manner in which we collect debt, so we want to ensure our approaches are fair and reasonable.

We have measures available for individuals who cannot pay to stage their payments. In an exceptional circumstance, where we think there are factors beyond the control of the individual, we can relieve interest on penalties. We have tools to make it more palatable to pay, but at the end of the day, we will always have a certain number of people who get in over their heads, and in spite of our best available tools, we will not be able to collect.

Hon. Navdeep Bains: With respect to the remarks the Auditor General made in terms of the fact that management is unable to explain some of the poor tax debt collection, basically that has to do with data mining, data warehouse, that type of information. It's indicated here that there have been some improvements in terms of having a call centre and so forth. Is there any correlation to that? I think the root cause is something else, which has to do with data management. I'm not sure the call centre is the appropriate response for that. Is that a fair comment?

Mr. Guy Proulx: Our basic challenge is that when you look at taxation, it's based on self-assessment, and people should normally pay voluntarily when they have taxes owing. Part of our challenge is, why are people not paying when they file their taxes? It's more than just managing the account when it comes in; it's finding the basic causal factors as to why people are not paying their taxes and instead paying somebody else.

We need to start looking more in terms of the external indicators and ask, what are the predictors of information? We are looking at other private sector organizations such as Equifax and credit bureaus. They're saying they can predict with some level of accuracy who's going to be bankrupt next year, because they can see trends developing in their behaviour.

We have information in our agency that we could probably use more strategically to predict some of the taxpayers' behaviour. The

problem with that is that you need to capture that data be able to use it in a way that enables a more intelligent usage.

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

We're going to go now to Mr. Watson for five minutes.

Mr. Jeff Watson (Essex, CPC): Thank you, Mr. Chair.

I want to start with Mr. Baker's opening statement here. You say that from 1996 to 2005, some \$80 billion in debt has been resolved—interesting word, “resolved”. Does that mean the money's been retrieved to the Crown, that some of it has been forgiven? Can you give me a breakdown on that?

Mr. William Baker: That would be everything. That would be moneys recovered as well as debts written off.

Mr. Jeff Watson: How much of that is debt written off?

Mr. Guy Proulx: It's normally within the range of one-third per cent to one-half per cent of the money we collect. Last year, for the year the OAG did the audit, I think the amount was in the \$2.7 billion range. In that year, we did have a blitz on writing off old accounts because we felt that our portfolio was overinflated in terms of value. There were accounts that were simply not collectible. They were accounts we had no hope of ever recovering.

In our case, in order to make an account officially not recoverable, we have to write it off under the Financial Administration Act, which means we have to study the account and convince ourselves that we have done everything in our power to collect the account and—

● (1215)

Mr. Jeff Watson: Who gave the direction for that decision to write off the debt in question?

Mr. Guy Proulx: It's part of normal portfolio management to manage accounts—to collect those that you can collect, but you also shouldn't—

Mr. Jeff Watson: I'm asking who made the decision to write off that much debt? Is there somebody who said you were going to write off a portion of that debt that year?

Mr. Guy Proulx: It's part of my duty as a portfolio manager to make sure we have meaningful financial statements. If those accounts are not truly accounts receivable, the normal accounting standards call for that debt to be reduced.

Mr. Jeff Watson: Do you wanted to get in, Madam Fraser?

Ms. Sheila Fraser: I wanted to say, for the benefit of the committee, that we looked at the procedures pertaining to writeoffs of tax debts in 2002, and we had no issues with the way it was done at that time.

Mr. Jeff Watson: I have a question on whether we're heading back to that same strategy again. Over 50% of the debts are over two years, which we've concluded are either less collectible or uncollectible. Are we not heading for another debt writeoff of a significant proportion?

Mr. Guy Proulx: We write off debt every year. In the private sector, they write off debts after six months. Sometimes we end up having to keep debt on the books for a very long time. So the questions here concern the time to process the debt and the procedures to process debt and reflect its actual collectibility in the portfolio.

Mr. Jeff Watson: How much money has been lost to the Crown since 1994 from the inability to collect on debts or from debts that have been forgiven? Do we have a number on that?

Mr. Guy Proulx: Those are published in our financial statements, either through fairness or writeoffs.

Mike, is the information available publicly?

Public accounts already receives this information as part of the agency's performance.

Mr. Jeff Watson: You've concluded that out of the \$18 billion owed at the end of 2005, \$9.5 billion has been collected, and yet you can't attribute those amounts today before the committee. You've just been asked to attribute whether those are specific to that debt or not. How can you conclude in your statement that it's been collected if you can't answer to the committee whether it's attributable to that year or not?

Mr. Guy Proulx: We can come back to the committee and give you the estimate, if you want. Generally speaking, most of the debts we collect are younger debts. When you look at the analysis of aging, accounts that are one year become two years, then accounts that are two years become three years. When you maintain a certain stability in that portfolio, the amounts collected are generally attributable to the younger debt.

Mr. Jeff Watson: The ACSES system that's developed for collection officers is the main tool that they use. Obviously some problems are identified by the Auditor General here, and then it goes on to say that tax service officers have developed their own tools, additional tools. Was that a decision from somebody up at the top of CRA that these tools be developed, or are these individual officers developing their own tools and you're now trying to figure out how they use them?

Mr. Guy Proulx: I wouldn't characterize it as that. I think the ACSES system was built in 1989. It operates off a main frame, and basically it's in need of rejuvenation. We do have in our future plans to basically not redo the ACSES system but to build a new case management system. The staff at the field level who are users of that system now have access to desktops that allow them to make more intelligent use of that system.

The concept is called macros, for those of you who are familiar with Excel spreadsheets and things of that nature. We have centralized the development of macros for all field offices with our colleagues from our information technology branch. We do monitor, track and approve who uses macros and the circumstances under which they use them.

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

Thank you very much, Mr. Watson.

We'll now move to Monsieur Nadeau.

[*Translation*]

You have five minutes, Mr. Nadeau.

• (1220)

Mr. Richard Nadeau (Gatineau, BQ): Ms. Fraser, gentlemen, Mr. Chairman, we began by talking about the number of income tax returns you process on average, yearly. The figure mentioned was 23 million individual income tax returns and some 2 million corporate returns.

What percentage of individuals have trouble paying you what they owe, compared to corporations?

Mr. Michael Snaauw: Good afternoon. I think the figure is 4 or 5% for both groups, but we would have to confirm that.

Mr. Richard Nadeau: I see. That is somewhat similar to the increase shown in exhibit 8.3 on page 245 of the English version of the report. So that refers to either group.

On page 245, you say that you studied why some people have trouble paying their tax debt. You say that you could not take an in-depth look of this issue, because there was a shortage of data.

Can you tell us whether there is a trend, from what you know? Are there some well-known specific reasons that would indicate what could be done to improve the situation?

Mr. Guy Proulx: The comment was made by the OAG initially. The representatives of the OAG might have some preliminary remarks they would like to make on this.

Ms. Sheila Fraser: I would just say that this study was done by internal audit, and it wanted to discover the reasons for the increase. The auditors have shown some trends, I believe, but they were unable to pinpoint the exact reasons. There is still work to be done to complete what they had hoped to do initially.

Mr. Guy Proulx: I would like to add that we have a great deal of data, but that with the data we have, we are unable to get the information at a higher level. If you want to know how many clients or taxpayers are repeat clients, for example, we can easily say that this year there were a half-million such cases, representing a value of \$10 billion.

Mr. Richard Nadeau: My question is more about the reasons for this situation. I'm told that information is available, but it has been impossible to analyze all of it so far. Is nothing apparent? Is there not a trend? Can you comment on this?

Mr. Guy Proulx: At the moment we are building data warehouses that will allow us to determine how many accounts came to us from the calls this year, cases where the account was one or two years old. This will allow us to determine how much time the courts might take to...

Collecting an account we get today but that has been before the court for four years is a major challenge. What is the likelihood that we will be able to collect such an account? Has the taxpayer set aside any money? The taxpayer does not have to pay as long as the case is under appeal. What is our specific performance in such cases? We do not have that information. We have information on a case-by-case basis. We can determine which cases went to appeal, we can track the case and see how we perform, but we do not have any data showing how many similar cases there are. These data are not stored or collected in such a way that we can do this type of analysis.

Mr. Richard Nadeau: Perhaps I should have started by saying that the reason I am asking these questions is as a member of Parliament for a particular riding. Occasionally, people call us because they're having trouble. In Quebec, there are two systems: the provincial income tax and the federal income tax. Nevertheless, we have to try to help these people find a way to pay their tax debt. As you mentioned earlier, this can be done out of court, amicably, but in some cases it is not at all obvious how to proceed. That was the context within which I was asking the question.

Let me pursue a different area. I am now on page 247. There are ways you can deal with people. You referred to this a little earlier.

Are there more effective ways of dealing with people? Should some of your procedures be improved in your opinion? Are legislative changes required to help both taxpayers and the department to meet the objective of paying and collecting tax debts? Could something be highlighted that would be helpful in this regard?

• (1225)

The Chair: Mr. Proulx.

Mr. Guy Proulx: Indeed, the framework in which we operate means that we use the powers we are given, taking into account the restrictions and constraints which are imposed on us as well. For example, we do not collect the amounts due while an appeal is pending. Cases therefore become older and taxpayers hope to pay but unfortunately are not always able to do so because they have not necessarily set money aside for it.

I think it is a question of fairness towards Canadians. People who expect to win their case wonder why they have to pay Revenue Canada. It doesn't make our work easy.

There are other cases. For example, self-employed workers must do a year-round assessment of the amount they will have to pay at the end of the year in taxes. As the Auditor General's Office has noted, some of them present a challenge. They do the best assessment they can on their own account, but at the end of the year, they find they do not have the sum required to pay when they submit their income tax return. So what do we do in those cases?

This is how things really are. When people have the ability to pay, we have the tools to collect the money they owe. However, when people do not have the ability to pay, when they have not set aside enough money and do not have the means to pay, then what can we do? We have to demonstrate not generosity, but understanding, and acknowledge the circumstances they find themselves in. Often, these are taxpayers who have lost their jobs or whose family situation, a divorce, for example, makes things difficult. Sometimes, the ability to pay will return later, but for the moment, the best strategy we can take with those individuals is to give them an opportunity to put their

financial situation back on a sounder footing and deal with their financial problems. We try to demonstrate compassion and take into account the circumstances that taxpayers face. That is in our policy and procedures. We even have a fairness file, where we can write off penalties and interest when the taxpayer in question does not have the ability to pay.

[English]

The Chair: Thank you very much, Mr. Proulx. *Merci beaucoup, monsieur Nadeau.*

Mr. Lake, five minutes.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): Thanks, Mr. Chair.

Thanks, Ms. Fraser for being here again. It's good to see you again.

I have a couple comments before I get to a couple of questions here.

Mr. Proulx, I noticed you talked about not having bonus systems and referred to the importance of more quality than quantity in terms of the staffing there. I would think that when you're talking about debt collection, there's a direct correlation between the two and right now the quantity is \$18 billion of taxpayer money. So I think there is a correlation there.

Mr. Wrzesnewszky talked about a post-recession period. I would say that a post-recession period could also be called a pre-prosperity period. Whatever you call it, at the time you made enough money to pay taxes and it should have been paid—for the most part.

Mr. Baker also alluded to that as well by saying we always have people who experience hardship and can't pay. My comment on this is that at the time the taxes are owed, for the most part the system is such that at that time they should be able to afford to pay. The trouble is that we're not collecting at that time. That seems very problematic to me. If we had collected the money at the right time, we would be able to collect more of it.

This leads to my question for the Auditor General first. You mentioned you had no problem with the decision to write off the \$2.7 billion that's written off. Could we have saved some of that money if we had done better job of collecting it in the first place, and to what extent?

Ms. Sheila Fraser: Mr. Chair, that's a hard question to answer, because I would presume that many of those accounts are probably very old. We haven't gone through a specific review of that, but when we do our audit of the public accounts, we do look at the provisions and how those provisions are set up. Most of it would be judged by the various agents as to what the collectibility will be.

I think we have to recognize that there will always be writeoffs, given the amounts of money involved, and it was actually a good thing that the agency made a concerted effort to clean up the accounts so that actions aren't continuing on accounts that everyone knows will never be collectible. A specific effort was made in that year, and you'll see that the writeoffs are much higher in that year than in other years, because there was a concerted effort to try to resolve some of those accounts.

As for the specific question, I'm afraid I can't answer that.

• (1230)

Mr. Mike Lake: Fair enough. We have \$18 billion right now, of which \$4.7 billion doesn't seem to be collectible. Is that correct?

Ms. Sheila Fraser: It's \$18 billion in non-disputed accounts. There's another \$6 billion in accounts that are disputed—on which, as was mentioned earlier, collection activities can't take place because there are notices of assessments or it's in the courts or whatever.

Mr. Mike Lake: Right. Of the \$18 billion we've deemed undisputed, though, just doing the math, I think \$4.7 billion is what we deemed to be unlikely to be collected. Is that fair?

Ms. Sheila Fraser: That's the allowance for doubtful accounts. It's the provision that has been taken against it. That's right.

Mr. Mike Lake: It does seem, though, that we're dealing with a problem that was identified 12 years ago in terms of the problems with the system, lack of information, and everything else that the folks in the department have.

I have another question to do with the \$18 billion. Does that amount include money that dropped off the radar after the 10-year mark we were talking about earlier?

You're indicating it doesn't include that.

Mr. Guy Proulx: The amounts that are basically uncollectible because they would be beyond the 10-year mark would need to be written off, or they should be in the allowance for doubtful accounts, so those account become uncollectible.

Mr. Mike Lake: So on top of the \$18 billion, there's also a sum of money...some amount that we've actually taken off the books?

Mr. Guy Proulx: Yes. Through the years, through the tax system, amounts that are written off—for example, through bankruptcy—cannot be reinstated, ever. They are forgiven and all that, and there are about 60,000 bankruptcy cases a year.

Canadians owe creditors and owe taxes, and they come and invoke that piece of legislation. That's been written off. It's gone. It's not in the \$18 billion. The \$18 billion is what we consider to be currently on the books as collectible or in need of being managed. Then there's an allowance on that \$18 billion of about \$4 billion that we think is likely to be uncollectible. For example, in the year that we had a blitz on the bookkeeping part of it, we wrote off and processed a lot of the accounts and basically got them off the books.

However, one thing should be said about accounts that are written off for any reason other than bankruptcy. If the ability to pay is ever reinstated, we can bring them back in. We have the ability to reinstate accounts if the taxpayer's ability to pay is regained.

Mr. Mike Lake: Not after 10 years, though.

Mr. Guy Proulx: Not after 10 years.

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

Next is Mr. Christopherson, for five minutes.

Mr. David Christopherson: Thank you, Mr. Chair.

What I'd like to do in the interests of time, rather than just using up five minutes for the sake of five minutes, is see if I can nail down a motion, and that'll conclude my round. I throw this out, Mr. Chair, if you'll accept it, and I'd be open to friendly amendments without having to go through formal amendments.

This is just a starting point. Through you to Mr. Sweet, I think you'll find this only addresses the vision plan, so you may want to think about amending it or providing your own motion to cover off the other recommendations, because they were separate. This is specific to the vision outlines.

I would try this. I move that the Canada Revenue Agency report to the Standing Committee on Public Accounts by September 30, 2006, on the status of the agency's 2010 vision plan. The committee specifically requests the agency—and then I'm just swinging into the words that are actually contained in the last sentence of the Auditor General's opening statement in point 12, starting with “the agency”. It would be specifically that the committee requests the agency to provide us with a detailed action plan and a timetable for completing its 2010 vision, and to provide us as well as with regular progress reports. That part is directly from the Auditor General.

The Chair: Okay, that is the motion on the floor. We have discussion.

Mr. Williams, I believe you have something to say.

Mr. John Williams (Edmonton—St. Albert, CPC): I think the motion is appropriate. It's not a new issue; therefore, we can deal with it right away.

I think you need to build in there, Mr. Christopherson, the indicators by which they will deem success or otherwise.

• (1235)

Mr. David Christopherson: I accept that as a friendly amendment.

The Chair: Okay.

A voice: Could you read the motion with the friendly amendment?

Mr. David Christopherson: Well, I'll read the motion, and John is going to jump in where that fits: that the Canada Revenue Agency report to the Standing Committee on Public Accounts by—

Mr. Marc Lemay: Whoa. Slowly.

Mr. David Christopherson: This is the old part. This is the easy part.

Mr. Marc Lemay: But go slowly for the translator.

Mr. David Christopherson: Okay, for the translator I'll go slowly.

Mr. Marc Lemay: Thank you very much.

Mr. David Christopherson: You're very welcome.

It will read that the Canada Revenue Agency report to the Standing Committee on Public Accounts by September 30, 2006 on the status of the agency's 2010 vision plan. The committee specifically requests the agency to provide us with a detailed action plan—

Mr. John Williams: Including performance indicators.

Mr. David Christopherson: There we are.

Clerk, do you have that?

The Chair: Is everyone agreed with that?

I sense agreement. Go ahead.

Mr. David Christopherson: Okay, Clerk, I have the rest of it, if you have that part: and a timetable for completing its 2010 vision, and to provide the committee with regular progress reports.

Mr. John Williams: It should read "the committee and the Auditor General".

Mr. David Christopherson: Okay, and to provide the committee and the Auditor General with regular progress reports.

The Chair: Madam Fraser.

Ms. Sheila Fraser: There was some question about the length of time we took to re-audit this issue. I will make a commitment to the committee that when we see the timelines that are developed by the Canada Revenue Agency, we will inform you of when we plan to go back and do a follow-up audit—because it will be based on their timelines.

Mr. David Christopherson: It just gets better and better. Thank you.

The Chair: We've heard the motion as amended and we've had some discussion. Is there any further discussion?

(Motion agreed to)

Mr. David Christopherson: Thank you, Mr. Chair.

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

Madame Ratansi, you have five minutes.

Ms. Yasmin Ratansi: I have two quick questions.

On page 243, the Auditor General observes that the CRA made a commitment to keep the tax debt below a certain level and to collect a specific amount of cash, but despite those efforts the tax debt has grown 88%. So there's a spread. What is the average value of the debt? How many debtors are there in the system, and what's the average value per person?

Mr. Guy Proulx: There are persons, there are businesses, there is GST, there are corporations.

Ms. Yasmin Ratansi: Well, persons, corporations, or whatever—entities. Have you any idea how many entities owe you this debt?

Mr. Guy Proulx: About 3 million.

Ms. Yasmin Ratansi: So 3 million entities owe you this debt.

Mr. Guy Proulx: Between individuals, GST, corporate accounts, payroll....

Ms. Yasmin Ratansi: Okay.

On page 239, paragraph 8.4 states that you collect on behalf of provinces except Quebec, and you pay to each province the total amount assessed. Have you had any corporate tax problems within that debt, or are you concentrating only on personal debts and nothing else?

Mr. Guy Proulx: Under the tax collection agreement signed between the provinces and the federal government, those provinces that did keep their corporate tax administration—Ontario, for example—manage their own, but for all the other ones, where we have tax collection agreements, especially on individuals because that's the most widespread one, the provinces are paid on the face value of the assessment. Penalties, interest, and costs of writeoff are actually absorbed by the federal Crown. So there is a process by which, every year, that cycle ends, and that sets the reconciliation of how much money will go on a monthly basis or be retroactively adjusted.

Ms. Yasmin Ratansi: That doesn't go into your debt, does it? Suppose you assessed for \$500 and you collected only \$300; where is that \$200 going?

Mr. Guy Proulx: In the writeoffs.

• (1240)

Ms. Yasmin Ratansi: In the writeoffs.

Mr. Guy Proulx: If we have an assessment, let's say, on a combined federal-provincial debt of \$500, then we collect \$300 of that, the province gets paid the face value, and we absorb the loss of \$200 at the federal level.

Ms. Yasmin Ratansi: My last question is this. You have an allowance for doubtful accounts of 26.1%. Is that an acceptable risk allowance? Is it a benchmark that is used?

The reason I ask this is that hospitals never say what their risk is. They say 10 debts are allowable. What is your benchmark for allowance for doubtful accounts, considering the size of this agency?

Mr. Guy Proulx: I'm going to turn the clock back to when the government decided to go full accrual accounting. Up until then the allowance for doubtful accounts was almost like a memo entry in our books, because the government was accounting on a cash basis. The allowance of doubtful accounts...I think the first one was done in 2002, and it was quite a challenge to start investing time and effort to evaluate the collectibility of those accounts. The OAG reviews that methodology every year, and they pass judgment on the accuracy of that estimate.

We don't have a long track record of managing the allowance for doubtful accounts in a very proactive manner. It's a question of priority for us, and we're devoting a lot of time and attention to making sure the value is accurate.

The Chair: Mr. Baker.

Mr. William Baker: If I may clarify regarding the example you used of \$500 owed to the agency, we pay the province the value of the assessment under the tax collection agreement. They get the \$500 right away. Of course, if they only pay \$300 initially, the first order of business is to establish an account receivable for that taxpayer and use whatever tools we have at our disposal. We try to reduce or eliminate the \$200. Sometimes interest and penalties may accrue and those payments are paid to the federal government.

The essential deal in place with the provinces is that we will administer your taxes for you free of charge and we will pay you on the basis of assessment. That's not a bad deal for provinces, because at the end of the day the overriding philosophy is that the country and the economy are best served if we have a single tax administration to reduce the compliance burden.

The Chair: I'm sorry, you're over five minutes, Madame Ratansi.

Mr. Williams, five minutes.

Mr. John Williams: Thank you, Mr. Chairman.

My first comment is that having written off all the debt and cleaned up your files during a time of uninterrupted economic expansion.... We see tax debt going up all the time. This I find quite disconcerting, because when the economy hits the tank, I don't know what kind of shape you're going to be in, but I know your collectibles are going to go straight up. Do you have a plan to deal with that, yes or no?

Mr. Guy Proulx: We do not always have control over why people don't pay.

Mr. John Williams: No, I said, do you have a plan to deal with it when you go into a recession, yes or no?

Mr. Guy Proulx: Specifically a recession?

Mr. John Williams: Yes.

Mr. Guy Proulx: It's one of the factors that come into play. We have plans—

Mr. John Williams: If the economy turns down and receivables go up, do you have a plan to deal with it?

Mr. William Baker: Our plan, Mr. Chair, is designed to improve the overall performance of the collections program regardless of economic plight.

Mr. John Williams: I take that as a no.

I'm quite concerned about things such as this. You've mentioned that younger debt is easier to collect than older debt, yet half your debt is old debt. The reason it gets to be old debt is that you didn't collect it when it was a young debt. Why didn't you collect it when it was a young debt?

Mr. Guy Proulx: Based on the ability of the taxpayer to pay the debt.

There are two types of clients: those who can pay and have the ability to pay, and those who can't pay because they do not have the ability to pay. That is the basic challenge we have. Those who have the ability to pay we are doing very well on because we have the tools at our disposal to manage those. The challenge comes from those who do not have the ability to pay.

Mr. John Williams: I would also say there are two kinds of clients, those who do pay and those who don't pay, and you're dealing with the ones who don't pay.

I'm taking a look here at paragraph 8.26, dealing with instalment remitters. It states: "...38 percent of total taxes owed by individuals. However, the Agency does not have more detailed information about these remitters that would allow it to understand the extent of the non-compliance and the reasons for it...".

Why don't you understand 38% of your clientele?

Mr. Guy Proulx: We are building systems to actually help us manage this challenge of ours. These people don't pay for various reasons.

Mr. John Williams: I know they don't pay for various reasons. My point is that you haven't even gone out to find the reasons and understand the reasons. You talk about Equifax. I bet you they know who will pay and who doesn't pay, and where the bang for the buck comes from. But you don't.

• (1245)

Mr. Guy Proulx: We have set up more proactive campaigns recently to actually call people who don't pay their quarterly instalments. We're having a lot of success with that, because we're being more proactive as to why the money is not coming in.

Mr. John Williams: But the Auditor General tells me you haven't automated your collection records, so that if somebody phones somebody three times in a week, you don't have that information computerized so that somebody else in a different office can pick it up and continue. This is 2006. Computerization is a fact of life, even for management of tax debt. Why aren't you computerized in this?

Mr. William Baker: Mr. Chair, the points are taken from the member, but I think we have to keep the whole thing in mind as well, in fairness: 95% of the tax debts are paid. And that doesn't happen by accident; it happens—

Mr. John Williams: But we're dealing here with the uncollectibles, with the difficult collections.

Mr. William Baker: I understand that, but the singular focus on what is not collected does unfair service to the work that is done to collect what is collected. We can't lose sight of the entire amount of accounts receivable and how they are managed.

Mr. John Williams: No, no, I'm not going to allow you to use up my five minutes, Mr. Baker, with a recognition of the hard work. I complimented the Revenue Agency when I was in the chair, because I know the difficult job you do. But at the same time, you as an agency, I think, are failing, because the Auditor General reported on this before and you didn't implement her recommendations.

Why wouldn't you implement the recommendations of the Auditor General? Why wouldn't you understand your clientele? It says here "there is no automated summary" of the actions taken by the collection agencies. Why don't you have these things automated? Why don't you have information on the different modes of collection? Why do you have "no information on the frequency of danger-of-loss reviews and jeopardy applications"? As a corporation, why don't you have the answer to these questions?

Mr. William Baker: I'll just repeat what has been stated before. Where we have deficiencies—and we acknowledge those deficiencies—we are developing plans to fill the gaps. We do not have all the gaps filled yet.

Mr. John Williams: So can we have the answer to every one of these questions in Mr. Christopherson's motion—why there is no information on danger-of-loss reviews, why there is a lack of information on insolvency files? Your vision will address these issues—will it?

Mr. Guy Proulx: Yes. The information that is not being captured in our legacy systems is most of the cause of these observations. We have a plan to capture all of this information, we have acquired data tools, and we are rebuilding the systems—exactly to address most of these deficiencies that have been observed.

The other issue I think the OAG pointed to is this. We did have a lot of progress; the issue here is unsatisfactory progress. I think the challenge here is basically to go and get what is the challenging part of what we have to fix. I think the OAG recognizes itself that we have changed a lot of our processes, procedures, and systems within the means we had to improve the situation. We recognize we need to make it better.

The Chair: Thank you, Mr. Williams. Thank you, Mr. Proulx.

I have a couple of public policy questions for you, Mr. Baker—or perhaps Mr. Proulx also.

In your opinion, do you have the legislative and regulatory architecture to do the proper job? Are there any deficiencies?

Mr. William Baker: I think generally we do, Mr. Chair.

Every year, through our experience, and for instance, as we develop the vision and do the work on the information systems and so on, we may identify additional needs. It's standard practice that we would raise those with the Department of Finance for consideration as part of an omnibus bill for amendments to the Income Tax Act, or whatever. My personal sense is that generally the agency has the tools at its disposal. There is always a need for continuous refinement of them.

The Chair: Thank you very much.

My second issue deals with what I consider to be the tremendous difference in certain tax liabilities, and it really hasn't been talked about here. That is, we have an income tax liability, which of course is a debt, but then you have a GST or a source deduction remittance, which isn't really a debt. Those moneys were collected by the taxpayer—on behalf of the Canadian government on behalf of the Canadian taxpayer—in trust, the trust being that they be remitted to the government. In the case where they are not remitted, that really is not a person who's insolvent, who's gone; it's stealing.

I don't see any distinction between that and an 18-year-old who robs a service station. There isn't that much distinction. When a person sells \$100,000 worth of goods, collects \$7,000 of GST on behalf of the taxpayer, and puts it in his back pocket and doesn't remit, basically in my view he steals it. I know you have a civil priority under the Income Tax Act, your priority and everything else, but it's not treated as what I consider to be a criminal matter. I think if you dealt with it as a criminal matter, there might be a different attitude out there.

Is there any legislative policy or procedure that you think...? Do you have any thoughts on that, Mr. Proulx, Mr. Baker, or maybe the auditor too?

• (1250)

Mr. Guy Proulx: The tools vary by the type of debt. Quite obviously, the severity of our use of those tools will vary, depending on the significance of the issue.

With respect to trust funds, we also have certain issues like the super-priority in the bankruptcy. We have the ability to go after the directors personally and so on. We believe that our performance is very good there, because we do prioritize those accounts and because of our level of oversight on those accounts, before they get to receivables. The frequency of remitting and so on.... We apply a lot of time and effort to making sure those people perform their fiduciary duties in a very efficient manner.

When they do come into collections, those are priority accounts for us. We think our performance is very good.

Could we use more tools? Or if the rules were different, would we be more efficient? I think that's a separate issue altogether.

The Chair: Does anybody have anything else?

If not, on behalf of the committee, I want to thank you, Mrs. Fraser and officials, for coming.

I want to thank you, Mr. Baker and officials, for coming.

I want to add something too. In my experience—I've been here for five and a half years and I practised law for about 25 before that—Revenue Canada is a very well-run agency. You're tough, but you're fair. That's certainly been my experience, and I want to congratulate the agency for all the hard work it does.

I think the important point Mr. Baker made is that you, unlike other businesses, cannot pick your clients. You get the clients you get. A lot of them you wouldn't deal with if you had the choice, but you do not have that choice. I've dealt with some of them and know who they are. They're very difficult people to deal with, and I want to thank you.

Mr. Fitzpatrick.

Mr. Brian Fitzpatrick: There's one question I wanted to ask and didn't have a chance. For information's sake, the underground economy.... Have you any estimate of how much revenue your department is losing on the underground economy?

The Chair: Mr. Fitzpatrick, really that's not.... We're talking here about debt collection. That is a very important issue, but that requires a more extensive discussion.

Before we adjourn, colleagues, we did circulate the legal opinions. Everyone has them, so they are now part of the public domain. If we get any calls from the media, we'll....

Mr. Williams.

Mr. John Williams: Thank you for the legal opinion, Mr. Chair. I see this from Danielle Bélisle or Mr. Morgan—I'm not sure which: "Here is the Pigeon opinion. There was no written request."

Perhaps you can find this out for us. Why is the Department of Justice issuing legal opinions without anybody putting in writing, I would like an opinion on...whatever the score may be? Why are they doing this? What was the motivation behind it? Why did the Deputy Minister of Justice himself get so intimately involved in this, reading the opinion before it was made public, when it was just an informal request of some kind to—

The Chair: We do have Mrs. Bloodworth coming on Thursday, and we can present that question.

Mr. John Williams: Perhaps you can give her advance notice that the question needs to be answered.

The Chair: We'll give her advance notice of the question, with any other written documentation. We'll put her on notice that the question will most likely be asked on Thursday.

Mr. John Williams: And we want an answer.

The Chair: Again, I want to thank the witnesses for being here.

I'd like the members of the steering committee to remain for a brief meeting following this meeting.

Thank you very much.

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