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Thursday, November 15, 2007

—
Chair

Mr. Rob Merrifield

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• (1600)

[English]

The Chair (Mr. Rob Merrifield (Yellowhead, CPC)): We'll call the meeting to order.

I have a question for the committee. We can listen to one of the witnesses at a time or we can get two presentations first and then do the round of questioning, which I would recommend. What is your pleasure?

[Translation]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): On a point of order, Mr. Chairman, I believe that we should carry the motion, in open session, that we carried *in camera*. Otherwise, no one will know that—

[English]

The Chair: I just talked to the clerk about that.

Perhaps you could inform the committee of the details of that.

Mr. Richard Rumas (Procedural Clerk): The decisions of the committee will be published in the minutes of the meeting. The only thing that is not there is the movers of motions and any votes that may have taken place.

They're public.

The Chair: Okay, thank you very much.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): On a point of order, Mr. Chairman, I thought we agreed in camera that once we were not in camera we would take a vote on the budget we passed. We just voted for a budget of \$179,393 of Canadian taxpayers' money that I still feel is not justified. I would like that vote recorded because that's what we had agreed upon in camera.

The Chair: The clerk has indicated he has already decided that this meeting is in public. That opposition is recorded as your opposition to it. I think that accomplishes what you're trying to do, but we can't go back and re-vote on it, is what the clerk is telling me.

Mr. Massimo Pacetti: Okay, but that's not what we had agreed on.

Thank you, Mr. Chairman.

Hon. Garth Turner (Halton, Lib.): On a point of order, Mr. Chairman, it's impossible for us now to proceed, knowing exactly what we'll be discussing next week, when we'll be discussing it, in order for us to make determinations about witnesses. Many of them have been contacted. They are waiting for some instruction from the committee as to when they should be coming here to appear and make their travel plans. When we're dealing with people in positions

of considerable influence in our society and in our corporate world, it is very difficult for them to understand why they wouldn't at least get some notice.

It is now Thursday afternoon. If we're going to be having meetings on Tuesday, what is the subject of our meeting on Tuesday? Is it going to be a pre-budget submission? Is it going to be the impact of the high dollar?

We have to have some determination of what's going on in the meetings next week and the week following for us to make some determination as to who is actually going to come here. We just run roughshod over this.

I know you're in a big hurry here, but you just have to slow down, Mr. Chairman, so we can understand exactly what we're doing so that we, this committee, can reach out and have some credibility with the wider corporate community.

It is completely essential that we know now what we're doing in at least the meetings coming up next week. Are we dealing with pre-budget submissions? Are we dealing with the high dollar? Are we going to have the opportunity to get back to witnesses whom many of us have talked to, based upon the motion that we thought was passed in the last meeting, that there be x number of meetings coming forward within the next two weeks for us to discuss the impact of the high dollar on Canadian society? Can you please clarify?

The Chair: Let me help you out, Mr. Turner, and the rest of the committee.

My sense of the motion, in interpreting the motion, was that we wanted to do as thorough an investigation on pre-budget consultation as well as on the impact of the dollar on the economy of Canada. That was the intent of the motion, and it will all be part of the pre-budget consultation. We hope that every witness who comes forward will be able to speak on both of those issues and will be prepared to do so. We're hoping that will happen. That's what we hope will happen, and we'll indicate to those who are coming forward on those pre-budget consultations to make that happen. That is how I'd interpret the motion. If I'm wrong on that, please let me know.

Go ahead, Paul.

[Translation]

Mr. Paul Crête: I would just like to remind you that the motion we passed provides that, in the week of November 19, there will be three meetings dealing with the impact of the high Canadian dollar on the economy and that, in the week of November 26, there will be three additional meetings dealing with other aspects of the pre-budget consultations. That is what was decided. Now, it is up to each of us to provide the Clerk with a list of witnesses that we believe to be relevant, so that we can contact these witnesses, retain the ones that are available and make arrangements accordingly.

[English]

The Chair: I concur with that as a way to move ahead. You can now submit your witnesses to the clerk with regard to those, and we'll try to accommodate as many as we possibly can. Is that fair?

Mr. Rick Dykstra (St. Catharines, CPC): That is fair. The only piece I would add to that is we had agreed that Tuesday and Thursday, our normal meeting days, would be used. We also added two additional hearing dates that we didn't set dates or times for. So, through you, Chair, and obviously to the clerk, we would obviously need to determine an extra day next week and an extra day the following week. We didn't specify as to what that day would be, so that needs to be determined as well.

The Chair: Maybe we should deal with that so everybody is absolutely clear. Do you want to work on Monday or on Wednesday afternoon? I think those are our two options for next week.

Hon. Garth Turner: It depends on our witnesses. It is Thursday afternoon now, so for us to get people to come here who are worth listening to, it's going to take a little more than one working day's notice. That's why we were hoping that in the portion of the meeting we've just finished we could have thrashed out some of this so we'd have some clarity now going forward.

The Chair: We actually have the dates and what we're going to be talking about on those dates, so now the question is whether we have enough time to get them here. We're going to ask the clerks to do the very best they can in doing that. If you have some submissions to make with regard to that, I encourage you to do that with the clerk.

•(1605)

Hon. Garth Turner: I encourage you to let members finish their sentences before you interrupt, because the last thing I heard you ask was if we're going to have a meeting on Monday or Wednesday. If we're having a meeting on Monday, then it's virtually impossible to have expert witnesses here, because it's now Thursday afternoon.

The Chair: I suggest that it be later in the week, but that is a determination that we are asking for clarification on because of the number of dates we have asked for.

The suggestion is for Wednesday as usual. Can I get a consensus from the group?

[Translation]

Mr. Thomas Mulcair (Outremont, NDP): I have a point of order, Mr. Chairman. I would simply like to get some indication from you. In the original motion, it was also planned that we hear from Mr. Carney. However, through the media, he made it known that he had other fish to fry, as opposed to answering a unanimous request from parliamentarians to meet with him. I would like to know whether the Committee is still interested in meeting with him.

I can tell you that, in our case, we are still interested in such a meeting. If that is the case, can we set aside some time for that to happen within the schedule? I see that my government colleagues tend to agree. I simply want to know whether or not there is a consensus around the table in that regard.

[English]

The Chair: As I said earlier in the in camera session, we hope to get him here. We asked him to come today but he's out of the country. We hope to get him here on a date that will work before we rise for Christmas. Perhaps next week will work in that timing. I can't answer that because I don't have that answer. All we have done is put the request in, and we hope it will be complied with.

I want a consensus on Wednesday first.

Mr. McCallum.

Hon. John McCallum (Markham—Unionville, Lib.): In light of the time it would be ridiculous to say Monday, for reasons that have been given. So I totally agree that we say Tuesday, Wednesday, and Thursday. But I want to clarify that I believe the motion stated that those three days next week would be devoted exclusively to consideration of the high dollar and the impact on the economy. Is everybody in agreement with that?

I'm not being argumentative; I'm just trying to get to the bottom of it.

So then we assume there will be meetings from 3:30 to 6:30.

The Chair: Yes.

Hon. John McCallum: They will be on Tuesday, Wednesday, and Thursday from 3:30 to 6:30, exclusively on the high dollar and its impact on the economy. We submit names of people to that end. Is that right?

The Chair: It looks like we have consensus.

Some hon. members: Agreed

The Chair: We'll continue now. I believe we have it sorted out. Sorry about that.

We have with us Coleen Volk and Paul Rochon from the Department of Finance.

We'd like to hear from both presenters, and then we'll open the floor to questions and answers.

Ms. Volk, the floor is yours.

Mrs. Coleen Volk (Assistant Deputy Minister, Corporate Services Branch, Department of Finance): Thank you, Mr. Chair.

I have several departmental colleagues with me here today who will assist in responding to your questions. They are Paul Rochon, Barbara Anderson, Louise Levonian, Brian Ernewein, and Serge Dupont. We are all with the Department of Finance. There's also a representative from FINTRAC with us.

It's our understanding that the committee has called us here today to focus on the Department of Finance and FINTRAC supplementary estimates (A) for 2007-08.

[Translation]

The Department of Finance's estimates reflect its responsibilities which, as I am sure you are aware, include preparing the federal budget, developing tax and tariff policy and legislation, managing federal borrowing on financial markets, administering major transfers of funds to provinces and territories, developing regulatory policy for the country's financial sector and representing Canada in international financial institutions and fora.

The Financial Transactions and Analysis Centre, or FINTRAC, is responsible for producing financial intelligence that contributes to the detection and deterrence of money laundering and terrorist financing in Canada and abroad.

The Supplementary Estimates that have been tabled in the House for the Department of Finance are only requesting the approval of \$272,000 that will be included in the proposed Appropriation Bill supporting these Supplementary Estimates (A).

• (1610)

[English]

In total, these supplementary estimates (A) have identified adjustments to appropriations of over \$5 billion. This is in addition to the approximately \$76 billion identified in the main estimates for this fiscal year. It is important to note that the remaining adjustments to appropriations of over \$5 billion have already been approved by Parliament through various pieces of legislation, including the recent Budget Implementation Act. The same is true for the \$76 billion previously identified in main estimates. Over 99% of this amount relates to statutory votes for items that have already been approved by Parliament through enabling legislation. These include items like the payment of public debt charges, Canada health and social transfer, and equalization payments.

These statutory votes are displayed in the estimates document for information purposes and they're not included in the appropriation bill. The gross increases to these statutory items in these supplementary estimates amount to \$5.9 billion, but they are offset by declining interest in other debt servicing costs, for the net increase of approximately \$5 billion.

The increases are mainly attributable to revised forecasts for transfer payments to provincial and territorial governments, including increases to fiscal equalization payments of \$1.2 billion, a new \$1.5 billion clean air and climate change trust fund, and increases to the Canada social transfer of \$794 million.

The non-statutory votes of the Department of Finance are requesting an additional \$272,000 in this fiscal year. This funding is part of an overall envelope that has been provided to departments to facilitate the evaluation of grant and contribution payments and to

meet the Federal Accountability Act commitment to evaluate these programs for relevance and effectiveness on a five-year cycle.

FINTRAC has requested \$5.4 million in their supplementary estimates to bolster the combat against the laundering of proceeds of crime and the financing of terrorist activities in accordance with the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. Specifically, FINTRAC's funding in the supplementary estimates will be used for staff costs to implement significant new functions resulting from Bill C-25, such as a money services business registry as well as an administrative monetary penalty system, to enhance FINTRAC's financial intelligence products and to meet the investigative demands from domestic law enforcement, national security agencies, and foreign financial intelligence units. The funding will also be used to renew FINTRAC's IT systems and assets, and to implement and support the business continuity plan, which includes securing an alternate operating site.

We would be pleased to address any questions the committee may have on these estimates.

Mr. Massimo Pacetti: For clarification, what is going to happen here? Are we going to hear also from the Canada Revenue Agency afterwards?

The Chair: No. We're going to hear from both right now, and then we're going to go for....

Oh, they're not at the table. I'm sorry. Okay, I thought they were. Fair enough. We'll do the questions right now, then.

Mr. Massimo Pacetti: I just want to clarify until what time we go so we can allocate our time.

The Chair: Let's try to split our time. Let's go a half hour now so we have a full round to go here, seven, seven, seven. We'll go to the first round.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Chair. Thank you, witnesses.

As you know, this briefing on the Nova Scotia accords has been on again, off again, on again, off again. I know it's a great frustration to Mr. Casey. It's rather a pity that he's not able to be here.

You put into your schedule (S), “Fiscal Equalization (Part I – Federal-Provincial Fiscal Arrangements Act)”, \$1.2 billion, which I assume reflects the costs that are associated with Nova Scotia's new money. For the purposes of this hearing, can you outline to us in rounded numbers, if you will, what Nova Scotia was going to get under the original accord, what Nova Scotia is now going to receive under this clarifying agreement, and what are the assumptions, if any, underlying both agreements?

• (1615)

Mrs. Barbara Anderson (Assistant Deputy Minister, Federal-Provincial Relations and Social Policy Branch, Department of Finance): These numbers in the supplementary estimates represent the Budget Implementation Act that was passed. They do not include forecasts for the October 10 agreement. That agreement will be implemented with legislation that the government will be tabling in the near future. It will not change the amount that Nova Scotia will get in the first year. Beyond that, because equalization is a formula-driven program, because mainly the equalization payments and the offset payments for Nova Scotia are heavily driven by resource prices, it is impossible to forecast with any kind of accuracy what they might receive from that October 10 agreement.

Hon. John McKay: If I understand this, your \$1.2 billion in the second line here has nothing to do with the October 10 agreement.

Mrs. Barbara Anderson: It has nothing to do with the October 10 agreement. Once that agreement is legislated and approved by Parliament, it will be included in the next set of estimates.

Hon. John McKay: So in theory, then, you would come back with a further supplementary estimate for Nova Scotia.

Mrs. Barbara Anderson: Yes, although we do not forecast there being an extra payment this year. The Budget Implementation Act included the choice for Nova Scotia for this year and the extra payment, but not October 10.

Hon. John McKay: The clarifying agreement for Nova Scotia will require no further funding for Nova Scotia in the fiscal year ending March 2008. Is that correct?

Mrs. Barbara Anderson: Yes.

Hon. John McKay: Explain to me how this clarifying agreement is a clarifying agreement. Nova Scotia had a stream of revenue set out for it, and now there's apparently an additional stream of revenues, not necessarily starting this year but in the subsequent year. So can you explain to me those two streams of revenue?

Mrs. Barbara Anderson: If you're referring to two streams of revenue, Nova Scotia has released forecasts of what they think they might get, but the Department of Finance has not, because we don't have reliable forecasts beyond next year. Equalization is just heavily data driven and changes, so we do not forecast it with that kind of accuracy, for obvious reasons.

What the October 10 agreement gives Nova Scotia is a guarantee that they would be no worse off by coming into the new equalization formula than they would have been if they had stayed under the previous equalization formula. That was the choice that was provided them in Budget 2007, and on October 10, the government committed to ensuring, once they'd made the decision to come into the new equalization formula, that they would not lose money compared to what they would have got under the other one.

That comparison will be made and calculated year after year.

Hon. John McKay: This whole “you get ahead” or “you don't go behind” analysis is entirely driven by Nova Scotia's analysis of what they will receive over the lifetime of the agreement and has nothing to do with Finance's views on what may be the cost of the agreement.

Mrs. Barbara Anderson: It is a guarantee that is attached to a formula-driven program, so that every time we do the annual calculation of what all the provinces will receive in equalization, we will do a calculation of what Nova Scotia would receive under the new formula, what they would have received under the old formula, and there will be a payment made, if required.

Hon. John McKay: So you don't have any estimated costs of that clarifying agreement at this time. Will you? Will there be at some point?

Mrs. Barbara Anderson: Not over the long term, because we don't forecast equalization over the long term. But in December, under the current legislation, the minister releases the equalization numbers for 2008-09.

• (1620)

Hon. John McKay: Parliament will be asked to vote on a clarifying agreement, and presumably pass the clarifying agreement, where Finance will not attribute any number to that clarifying agreement.

Mrs. Barbara Anderson: Yes, as they were asked to vote on the equalization formula that had no outward stream.

Hon. John McKay: Thank you, Chair.

The Chair: Thank you very much.

Mr. St-Cyr, the floor is yours. You have seven minutes.

[Translation]

Mr. Thierry St-Cyr (Jeanne-Le Ber, BQ): Thank you, Mr. Chairman. Greetings to all of you. We saw each other not so long ago.

At our last meeting, I asked a number of questions with respect to tax evasion. We also had discussions in committee with respect to the use of tax havens, like Barbados, which allow people to patriate, tax-free, profits realized in Barbados on which very low tax rates were levied in Barbados. We're talking about 2%. These individuals bring that money back to Canada, tax-free. We also talked about taxes that can be saved by deducting interest paid abroad. We discussed double dipping and other similar matters as well.

I asked you how one could go about estimating what that would represent if all those monies were taxed. In committee, you were unable to provide a precise answer and you sent along additional information subsequently, saying that you did not have the numbers from tax returns. In other words, you did not have enough detail to be in a position to answer that question.

Could you tell me what steps you have taken since then to be able to accurately assess foregone tax revenues associated with these tax exemptions, so that parliamentarians are able to determine how much money would be involved if, for example, it was decided to no longer allow people to patriate tax-free profits to Canada from Barbados? What steps have you taken to obtain these figures?

[English]

Mr. Brian Ernewein (General Director, Tax Legislation Division, Tax Policy Branch, Department of Finance): Thank you for the question.

The honourable member mentioned that the question had come up before and that we'd provided an answer before. I think that's the correct recollection, and therefore my answer will very much track what I said before when we were here.

We don't have a breakdown of the numbers that will be deducted...

Sorry, let me start again. With respect to the rules that exempt business income earned offshore by foreign subsidiaries of Canadian companies, they are a deliberate policy decision by Parliament.

The comment I made the last time, and abide by still, is that you can't measure the revenue loss by applying the Canadian tax rate to that foreign income and contend that is the amount of Canadian tax that is lost. In fact, one of the arguments that commentators would make quite strongly, I believe, is that it's as a result of the exemption for the foreign business earnings of foreign affiliates of Canadian companies that we do have the business conducted offshore. It's not appropriate to measure losses by, as I say, applying a tax rate to that foreign income.

[Translation]

Mr. Thierry St-Cyr: Could you at least tell us what amount of foreign revenues are patriated to Canada, and in what form? Of course, we cannot assume that if they were taxed, the amount would be the same, but do we know what amount is involved?

[English]

Mr. Brian Ernewein: Yes, I think we can. Statistics Canada has some numbers that we can obtain and forward to you, which talk about the amount of dividends, if my recollection is correct

I take it you're speaking of dividends paid to Canada.

[Translation]

Mr. Thierry St-Cyr: I would appreciate it if you could send that information along to committee members.

I would also like to talk about the transfers that appear under the item entitled "Fiscal Equalization". I guess this has to do with resolving the fiscal imbalance.

It talks about fiscal transfers but, in my opinion, we are really talking about cash transfers. When the Minister came to meet with us, he did, in fact, confirm that this represented a cash transfer from the federal government to provincial governments, and that there were never any real fiscal transfers.

Could you tell me whether the Minister was correct in saying that this settlement represented a cash transfer to the provinces or, as the name seems to suggest, are we instead talking about a transfer of tax room to a specific province?

●(1625)

[English]

Mrs. Barbara Anderson: These amounts are the cash transfers that represent the budget bill—the appropriations from the budget bill—and they are all cash amounts.

[Translation]

Mr. Thierry St-Cyr: You cannot be political, and I understand that, but we obviously have to try to obtain clarification with respect to the points we raise. The problem is that the government says that it resolved the fiscal imbalance in the last budget, whereas we, in the Bloc Québécois, claim that the government has not resolved the fiscal imbalance, since there has been no tax transfer.

I am not asking you to tell me whether the fiscal imbalance has been resolved or not; I understand that you cannot answer that question. But from the perspective of the Department of Finance, did the last budget actually provide for a tax transfer—because we are talking here about fiscal equalization—or was it, instead, a cash transfer?

[English]

Mrs. Barbara Anderson: These represent the cash transfer, the \$39 billion, the annual portion of that \$39 billion that was part of the fiscal balance package.

[Translation]

Mr. Thierry St-Cyr: Fine.

I have a quick question for you. Under the current cash transfer settlement, there is provision for 50% of non-renewable resources to be included in the equalization calculation. Has there been any assessment of what it would represent in monetary terms if 0% had been excluded or if 100% of non-renewable resources had been excluded? Do we have that data, per province?

[English]

Mrs. Barbara Anderson: Yes, we do, and I believe you asked me that question the last time I was here. I believe we sent those numbers, but I will follow up.

The Chair: Thank you very much.

Mr. Wallace, you have seven minutes.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chair.

I want to thank everybody for coming. I have a number of questions. I actually enjoy looking at these things.

This is mostly for clarification, just so I understand. Right now, we're looking at supps (A), as I like to call them. There is another supplementary period that comes, at least one more. Is that not correct? When would that be expected? When would we see those numbers?

Mr. Paul Rochon (Assistant Deputy Minister, Economic and Fiscal Policy Branch, Department of Finance): No date has been set, but normally, it's towards the very end of the fiscal year.

Mr. Mike Wallace: It is almost at the end of March.

Mr. Paul Rochon: It is in March, yes.

Mr. Mike Wallace: It is sometime in March. Okay.

Can we turn to page 149, if that's okay, in the supps? So I have an understanding, could you explain some things to me? When you say a transfer, when I'm looking at a transfer...where is that coming from, and what triggered that? It is not the adjustment column but the transfer column. I'm trying to learn the process here.

Mrs. Coleen Volk: These are transfers between departments. They aren't in that impact to the fiscal framework; they're just transfers from one department's estimates to another department's estimates.

Mr. Mike Wallace: Okay. And they're budgetary transfers, so they're not real cash moving from place to place. Is that...?

Mrs. Coleen Volk: That's right. Well, they're....

Mr. Mike Wallace: It's their ability to spend, of course.

Mrs. Coleen Volk: It's our ability to spend, yes. It's that \$63,000 you're looking at. Is that right?

Mr. Mike Wallace: Well, the one that is on top there. It's an easy page to deal with.

Then I'm looking at adjustments and appropriations. If I look down here at the bottom, at the payment to Ontario for \$250 million—is that right? Child care spaces, the \$250 million, the patient wait-time guarantee—all that is generated out of budgetary changes made since you presented this book to us with the original budget in it. Is that correct?

• (1630)

Mr. Paul Rochon: Yes.

Mr. Mike Wallace: I understand. The reason we have supplementaries is because the decisions made and the strategic outcomes you wanted to accomplish when you produced this book may have changed, based on budgetary changes that have been passed in the House, and they're all represented in this supplementary book.

If there were no other changes in financing, from a budgetary point of view, between now and the end of March, what would we need supps (B) for? When do we say to a department—I'm being a little bit of a devil's advocate here—look, you put in your money, you get to spend it, but quit asking for more? When does that happen?

Mr. Paul Rochon: Let me answer the first question, why would you need supplementary estimates at this point in the fiscal year. The answer is, a number of departments still have planned spending but are not ready to implement it.

Mr. Mike Wallace: They are not covered in their first estimates in March?

Mr. Paul Rochon: Not all of it, no. For example, most of the budgetary measures in the 2007 budget that would apply to the fiscal year 2007-08 would not have been in the main estimates.

Mr. Mike Wallace: I agree with that, but would they not have been captured by this time in supplementary estimates (A)?

Mr. Paul Rochon: They're largely captured in supplementary estimates (A), but adjustments still take place between now and the end of the fiscal year. You may have transfers, for example, one-time transfers for organizations that need to be effected. There could be informational changes to statutory programs that are reflected in the final supplementary estimates.

Mrs. Barbara Anderson: I was going to add that, as Coleen said, all the fiscal arrangements here in our supplementary estimates (B), which are statutory programs, so we are not requiring new...the money is automatically there in the statutory programs. These will be revised. We revise our numbers in December of every year under the new legislation, so in December we'll have new numbers and the next supplementary estimates might represent those.

Mr. Mike Wallace: Can someone explain to me the brackets around the \$890 million under "Interest and Other Costs" on page 149? I don't understand what's happening.

Mr. Paul Rochon: That's a reduction.

Mr. Mike Wallace: I understand that's a reduction, but is that interest we haven't earned? I don't understand what that is.

Mr. Paul Rochon: That's there, again, for informational purposes. It reflects a revision to public debt charges between the main estimates and the budget. The main estimates were based on a projection for debt charges in the 2006 fall update. Between the 2006 fall update and the budget, we revised down public debt charges largely because there was a \$9.2 billion surplus in 2006-07.

Mr. Mike Wallace: After applying the money to the debt that materialized due to the surplus and our paying down the debt, that is the interest savings that Canadians are getting, based on what we've put in there.

Mr. Paul Rochon: That's part of it. There are also revisions to interest rates over that time period. This is the down revision to the projection in public debt charges for the year 2007-08, between the main estimates and the supplementary estimates.

Mr. Mike Wallace: Do I have more time?

The Chair: Yes, a minute and a half.

Mr. Mike Wallace: I'll be very quick.

Just a quick answer for me on this next page then. Can someone explain to me, in two sentences or less, Bretton Woods? “In accordance with the *Bretton Woods and Related Agreements Act...*”.

Mr. Paul Rochon: These are a series of acts related to Bretton Woods that largely govern our relationships with the International Monetary Fund.

Mr. Mike Wallace: Thank you.

On the books we get on how you perform, I have two questions. We got this recently for March 31, 2007. This is really for the fiscal year 2006-07, and by the time I get it, it's seven months old, plus what happened the year before.

I have two questions. When you are doing your work, I know there are budget changes every year and so on, but how far do you do your planning and projections? Is it a two-year plan, a five-year plan, or an annual plan, just because of the nature of the business? I know things will change, but in terms of planning purposes, what is your policy as a department? What do you want to accomplish?

• (1635)

Mr. Paul Rochon: The easiest way to answer that is, we plan on the basis of a five-year framework for the fall update or the economic statement, as was presented this year in the fall, and in the budget we go forward on a two-year basis.

Mr. Mike Wallace: It's a two-year basis.

Mr. Paul Rochon: In the budget, yes.

Mr. Mike Wallace: Am I all done?

The Chair: Yes.

There are about nine minutes left, and I'd like to split it up because the NDP are not here to take their time. I'd like to split up three minutes per party in this segment.

Mr. Pacetti, you have three minutes.

Mr. Massimo Pacetti: Thank you, Mr. Chair.

To continue with what Mr. Wallace was asking, can you go over that? I think Mr. McKay was asking why you budget for five but only forecast for two.

Mr. Paul Rochon: In fact, in the fall update we provide a five-year forecast for both the economy and the fiscal position of the government.

In the budget, decisions are made on a two-year basis, and the projections are provided over the same time period, two years.

Mr. Massimo Pacetti: Mr. McKay was asking about the agreement with Nova Scotia. Do you know what the forecast amounts would be for years three, four, and five?

Mr. Paul Rochon: We assumed essentially, as an operating assumption for years three, four, and five, that equalization would grow at roughly 3.5% per year.

Mr. Massimo Pacetti: Okay.

Mr. Paul Rochon: That was purely an operating assumption.

Mr. Massimo Pacetti: I have just two quick questions. My time is limited.

Can you just quickly take me through, for example—I'll just take any line, and I think Mr. Wallace was asking about this—the amount of money that's for the clean air and climate change. This money gets transferred to Environment—\$1.5 billion—and then what happens to that money?

The amount of \$1.5 billion gets transferred to Environment. Take me through it.

Mrs. Barbara Anderson: This was a trust fund set up.

Mr. Massimo Pacetti: Right.

Mrs. Barbara Anderson: As soon as the budget was passed—

Mr. Massimo Pacetti: So the money goes into the trust fund. What happens after that?

Mrs. Barbara Anderson: Then the provinces draw it down as they wish.

Mr. Massimo Pacetti: Does Finance forget about it and never track it again? It is off your books and it's....

Mrs. Barbara Anderson: It is off our books.

Mr. Massimo Pacetti: So it's no longer your responsibility, but it becomes the responsibility of the fund?

Mrs. Barbara Anderson: The responsibility for administering the fund remains with the Department of Finance.

Mr. Massimo Pacetti: It's with the Department of Finance? Okay.

My last question, since I have a little bit of time left, is for FINTRAC. Nobody really spoke about it, but tell me why we should vote for the \$5.4 million. I guess the question is not only why should I, but—the explanation is very vague—what my return is going to be at the end.

The Chair: Do you have an answer now, or do you want to come back to it?

Ms. Barbara Jordan (Deputy Director, Strategies and Partnership, Financial Transactions and Reports Analysis Centre of Canada): No, I'm fine.

The Chair: Okay, go ahead.

Ms. Barbara Jordan: I'm Barbara Jordan, with FINTRAC. Good afternoon.

Mr. Massimo Pacetti: Do you have the question? It's just about the \$5.4 million. Why should we be voting for it? It says, "to bolster the combat against the laundering of proceeds of crime and the financing of terrorist activities". It sounds great. I feel like I'm in the United States of America.

Tell me what I'm going to get for this \$5.4 million.

Ms. Barbara Jordan: This reflects money that was included in Budget 2006. It's for changes to our legislation that expanded our mandate. We will be introducing a registry for money services businesses to enhance compliance with our activities or with our act.

We will also be—

Mr. Massimo Pacetti: I just want to—

• (1640)

The Chair: Very quickly; you're over time.

Mr. Massimo Pacetti: Just quickly, because I know I'm at the end of my time, I want to know whether there will be targets and whether I will be able to say next year that you guys did a good job with this \$5.4 million and that you achieved all the targets or achieved your goals.

Ms. Barbara Jordan: We will have implemented an administrative monetary penalty system and a money services business registry, so we will have expanded our activities quite significantly and will be in a position to demonstrate that a year hence.

The Chair: Thank you very much.

Mr. Wallace, you have three minutes.

Mr. Mike Wallace: Just to finish up on my comments, my experience has been that for organizations I have dealt with, including those at the municipal level, we set up performance evaluations or performance guidelines and were able to evaluate them a lot more quickly, to see how we did that year.

I have no complaints about the finance department. Here, we're so far away from it. But when I look at the supplementary estimates and the actual budget that's here, how much of it is the cost of actually running Finance, the staffing of Finance? What is the number here?

When I look at vote 1(a) in the supps, I see it talks about operating expenditures, but it talks about supporting ministries and so forth. I can't see where to see how much the Department of Finance is actually spending.

Mrs. Coleen Volk: It is really vote 1 that you're looking at. It's in the neighbourhood of \$90 million.

Mr. Mike Wallace: Okay, that's for Finance staff, right?

Mrs. Coleen Volk: About 75% of that amount is staff and the rest is the expenses related to the staff in the department.

Mr. Mike Wallace: Is that something that has been increasing over the last number of years? Is it staying steady? I have no idea.

Mrs. Coleen Volk: It's very, very stable. There have been, maybe, moderate increases, but it's quite stable.

Mr. Mike Wallace: Okay. So when I see the increase, it's marginal. These adjustments of \$272,000 are not for staff; they're for computer stuff? Does operating expenditures include capital, too?

Mrs. Coleen Volk: Well, we wouldn't have much in the way of capital. The \$272,000 is a very small amount, and that's just related to a government-wide program that provided all departments with certain allocations of funds to evaluate the grants and contributions program. So this was an allocation to us from the centre to augment our evaluation capacity in that regard.

The Chair: Thank you, Mr. Wallace.

Now, Mr. Bouchard, you have the rest of the time, and you'll be the last one of this segment.

[Translation]

Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ): Thank you, Mr. Chairman. I, too, want to thank you for being with us this afternoon.

I have two questions. The Department of Finance effects transfers—and I am not talking about equalization—destined for provincial and territorial programs. I would like to know how these transfers work. Do you write a cheque for the entire year, at the beginning of the year? Is that done once every three months? Do you ask that there be audits or reports filed before sending the payments? If not, do you deal directly from department to department? Do other federal departments give you instructions to proceed?

[English]

Mrs. Barbara Anderson: For equalization, we calculate how much each province gets just prior to the beginning of the year. The new formula has a moving average, but in December of every year we will tell the provinces what they are getting in total for the next year for equalization.

That money is then dispersed on a monthly basis—one-twelfth every month—and it is a completely unconditional grant that goes to each government.

[Translation]

Mr. Robert Bouchard: My question had more to do with other provincial transfers, but I would like to come back to equalization now. At the present time, the federal government, when calculating equalization, excludes 50% of non-renewable natural resources. If the federal government were to exclude 100% of energy resources, that would change the outcome for the provinces. Why was one formula chosen over the other? Does that depend on technical data or policy issues? I would like to know why we are moving in that direction.

•(1645)

[English]

Mrs. Barbara Anderson: The easiest answer to that is that the previous government established an expert panel to look at the equalization program, with particular emphasis on the treatment of natural resources, because that has always been an extremely difficult issue in measuring fiscal capacity. That panel reported, and its recommendation was that 50% of non-renewable resources be included in the new formula.

At the same time, it recommended moving to a 10-province standard and other simplification factors. The government accepted the recommendations of that panel almost exclusively.

The Chair: Thank you very much.

I want to thank you for coming in and answering the questions of the committee, and I thank the committee for the questions.

Now we'll invite the Canada Revenue Agency individuals to come forward.

Mr. Ralston, I believe you're doing the presentation. We thank you for coming. We'll entertain your testimony. The floor is yours.

Mr. James Ralston (Chief Financial Officer and Assistant Commissioner, Finance and Administration Branch, Canada Revenue Agency): Thank you, Mr. Chairman.

My name is Jim Ralston, and I'm the chief financial officer. With me is Richard Case, a director in our resource management directorate.

The CRA welcomes the opportunity to appear once again before this committee, this time in consideration of supplementary estimates (A) for 2007-08.

For the CRA, supplementary estimates (A) comprise a number of separate adjustments to the agency's spending authorities, totalling just over \$311.6 million. The largest single adjustment represents the transfer from Public Works and Government Services of \$257.1 million to permit the CRA to manage its accommodation and real property services. The Treasury Board minister has approved this transfer of resources, putting into effect a quasi-market-based reimbursing regime designed in cooperation with PWGSC.

Other funding increases are being sought for a number of legislative, policy, and operational initiatives announced in the 2006 and 2007 federal budgets. Also included in these estimates, funding is being sought to implement and administer the 2006 Canada-U.S. softwood lumber agreement and to implement a national initiative to address interprovincial tax avoidance by corporations.

Certain items were previously also dealt with in supplementary estimates (B) of 2006-07.

The \$311 million represents an 8.7% increase in the authorities granted through the main estimates. With the inclusion of supplementary estimates (A), the agency's total estimates to date will amount to \$3.859 billion.

I'd now be happy to respond to any questions.

The Chair: Thank you.

Mr. Pacetti, seven minutes.

Mr. Massimo Pacetti: Thank you, Mr. Chairman.

So in English, the \$257 million means you've taken on some of Public Works' services or their real estate? What is that? Can you explain that?

•(1650)

Mr. James Ralston: As is the case with most government departments, PWGSC provides accommodation free of charge. So there's no reflection in an individual department's budget for those amounts. Formerly it was never voted within the CRA, but it would have been voted to PWGSC, and they would provide us the services free of charge. The cost would be reflected in our financial statements, but it wouldn't be reflected in our budget.

So this transfer basically moves the budget element from PWGSC to the Canada Revenue Agency. In a sense, now our budget reflects the full spending.

Mr. Massimo Pacetti: What kinds of services are we talking about?

Mr. James Ralston: The service here is simply the provision of space. So it's space in crown-owned buildings or space in leased buildings where PWGSC would still negotiate the leases and everything.

Mr. Massimo Pacetti: Is it negotiated, or is it what PWGSC decides?

Mr. James Ralston: When I say "negotiated", I mean negotiated with the vendors or the landlords of that space. It's the normal contracting process. They would issue tenders or requests for proposals. Potential landlords would bid and a selection would be made.

Mr. Massimo Pacetti: So all that's happening is PWGSC, Public Works, is providing the service for you. It's not simply a fair market value. Or is there a duplication of effort where Public Works is conducting the service and then CRA has to verify that you're paying appropriate amounts for these services?

Mr. James Ralston: The way we like to portray it ourselves is that we wish to manage the demand but we continue to have PWGSC be our supplier. So we view ourselves as either a tenant where PWGSC is the landlord, in the case of crown-owned properties, or a tenant of a private sector landlord. PWGSC is our agent, if you will, when it comes to dealing with the landlords.

Mr. Massimo Pacetti: What happens when it's a property that belongs to the crown?

Mr. James Ralston: I mentioned the quasi-market-based regime. PWGSC will do an analysis to determine what the market value of equivalent accommodation is in the local market to which a particular building would apply and a price will be determined—it's an administered price—and we will be financed an amount that will be sufficient to pay PWGSC that administered price.

Mr. Massimo Pacetti: Whether you're renting from the private sector or from the crown, are the terms the same or similar? Can you get out of leases? I would assume most of them are leases. Can you get out of them? How does that work? You can say it changes from place to place and that would be an acceptable answer.

Mr. James Ralston: First of all, with respect to crown-owned facilities, it's not really an issue. We're talking largely about our taxation centres, which are purpose-built facilities. With respect to leases in the—

Mr. Massimo Pacetti: I asked the question because I know a lot of service counters were closed, or sometimes you tend to go closer to a certain area, and I'm wondering if there's a cost related to that. Or is this all planned ahead of time?

Mr. James Ralston: I think the answer would be that whenever we change whatever use we're making of a particular amount of space, we continue to be the renters of that space and we would continue to pay the landlord for it. We may change the use we make of the floor space, but we would still be utilizing it in some way.

• (1655)

Mr. Massimo Pacetti: Thank you.

Looking at some of the appropriations where it's money that goes directly to the taxpayer and there was some.... Let's take the major amount of...was it \$45 million for the working income tax benefit, the new child tax credit? Why is that there? Why wouldn't it have been...? Explain to me the cut-off again.

Mr. James Ralston: The amount you refer to has many, many components. You've cited the biggest single one, which is the working income tax benefit. The costs we're talking about here are our costs in administering the benefit. So it's any additional staff we might have needed to have hired, devoted to things like programming our computers, writing new publications, handling public inquiries, that sort of thing. So it's basically the costs to the CRA of administering the benefit. It doesn't reflect a payment to anyone; it reflects an operating expense.

Mr. Massimo Pacetti: Internal costs. So there's more to come, I would imagine, because the 2007 implementation is not going to happen until April 2008.

Mr. James Ralston: Actually I was listening to the earlier questions about the relationship of supplementary estimates to main estimates and other things. This represents only the cost for 2007-08. It does not represent a permanent adjustment to the agency's base funding. Permanent adjustments of that nature can only be made during the main estimates. So at some future date we will see and have another discussion where this item will appear again but in the context of the main estimates. At that time we will be talking about the amount needed to do a permanent base adjustment.

Mr. Massimo Pacetti: Are you comfortable that the \$45 million will carry us to March 31, 2008?

Mr. James Ralston: Yes.

Mr. Massimo Pacetti: Thank you.

Thank you, Mr. Chairman.

The Chair: Thank you very much.

Now we'll move on to Mr. St-Cyr for seven minutes.

[*Translation*]

Mr. Thierry St-Cyr: Thank you, Mr. Chairman.

Thank you for being with us today.

I would like to have some additional details with respect to one item in the Estimates that is not clear to me. It is the item relating to an initiative to address interprovincial tax avoidance. I'm sure you are aware that I am very concerned about any and all issues relating to tax avoidance. I referred earlier to problems occurring in Barbados and elsewhere in the world. However, I see that here and I am just wondering what interprovincial tax avoidance involves. I am not asking you to give a course that could help people interested in trying it. What kind of scheme do these individuals use and how do you combat this kind of activity?

[*English*]

Mr. James Ralston: This pertains to our administration of the tax collection agreements. A certain number of provinces and territories have basically engaged the CRA to administer their personal or corporate income taxes. There is a concern because not all provinces have the same tax rates. There is a concern that businesses in particular will arrange their affairs to have income earned in lower-tax versus higher-tax provinces.

The provinces are concerned that we are vigilant to ensure that income allocation is occurring to the right provinces. To address that concern we were given some additional funding to increase our efforts to monitor that kind of activity. I think it's something we were always doing, but because of a concern expressed by certain provinces, we have committed to step up our level of effort.

[*Translation*]

Mr. Thierry St-Cyr: In concrete terms, I suppose that it means auditing business information as frequently as possible and focusing on that particular aspect of the audit, namely, in what provinces the income was earned.

• (1700)

[*English*]

Mr. James Ralston: I think that's a fair summary, yes.

[Translation]

Mr. Thierry St-Cyr: The other piece of information I am seeking is this: with respect to the monies provided for the Canada-U.S. Softwood Lumber Agreement, can you tell us what the \$15 million is for? What kind of expenditures does it generate for the Agency?

[English]

Mr. James Ralston: With the softwood lumber agreement there were two activities given to the Canada Revenue Agency. One activity relates to something called a softwood lumber product export charge. The other one refers to a charge on duty deposit refunds. I'll deal with each one.

With the softwood export charges it's simply that. When an exporter is exporting the lumber there is going to be a tax levied. We will collect that tax and we will also share the revenue with the provinces in accordance with the terms of the agreement. And of course this is an entirely new charge, so all of the costs that we see here are associated with setting up the systems and procedures and the staff necessary to do that.

There is also a second aspect of the administration, which is that in the years prior to the agreement, the U.S. government had collected a certain amount of duty from Canadian companies. They were returning it to these Canadian companies. Again, there's a role for CRA. When the U.S. government made these refunds there was a portion of it that was to be directed to the federal government and a portion directed to the companies involved. Again, the CRA had to set up a system to collect that portion.

[Translation]

Mr. Thierry St-Cyr: I have one final question. It is on a completely different subject—namely, electronic filing of tax returns. I come back to this because I have put this question to Canada Revenue Agency officials in the past. As things now stand, if an individual wants to file his tax return electronically, he has to purchase private software.

Is the Canada Revenue Agency currently working to produce a reliable software program, which would be available free of charge to Canadians, to allow them to file their tax returns electronically, just as they have free access to the tax return forms made available by the Canada Revenue Agency?

[English]

Mr. James Ralston: To the best of my knowledge, it is not. However, that's not really my area of expertise. It would be perhaps better for me to suggest that we get back to you with the absolutely correct answer to that. It is my belief that we're not.

The Chair: Thank you very much.

We'll now go to the Conservative side.

Mr. Wallace, you're just like the Eveready bunny.

Mr. Mike Wallace: Thank you for answering the question that I asked the other group before.

I only have a few questions, and hopefully you can answer them. I looked at your main budgets and then at what the supplementaries are here. When I looked at other departments, the difference... When you looked at their main estimates and the number in thousands of

dollars...so it's \$2.607 billion in the main estimates. But when I looked at the supplementaries it had authorities, to date, at \$2.775 billion. You're the only one that had a difference from what was in the main estimates I had looked at to what was on the authorities to date.

What caused that additional \$167 million between the main estimates in here? It's not really listed that I see.

Mr. James Ralston: I'm glad you asked that question because I was scratching my head on that one, too, but the answer is pretty obvious, once I think about it.

The CRA has a provision in the act to carry forward... Basically, our appropriations cover a two-year period instead of a one-year period. So unused amounts from one year carry forward. The amount in question, the \$167.724 million—that was my computation—is basically the unused portion of our 2006-07 appropriations that now become available in 2007-08.

• (1705)

Mr. Mike Wallace: I'm just wondering if maybe in the future you could make a little note to that. Now, I might be the only one here ever looking at it, but it was of interest because based on what you had put in your main estimates and what you're asking for here, there isn't any significant difference, other than....

I did want to ask you about it, and I think you've answered Massimo, but you probably have to do it for me again so that I clearly understand. The change has been because you're now looking after real estate that used to be the responsibility of Public Works.

I'm still confused. Are you looking after just the dollars and cents, not at the management of the leases and all that baloney?

Mr. James Ralston: Operationally, very little has changed.

What has changed is that the parliamentary appropriation to finance accommodations costs, instead of appearing in the PWGSC appropriations, will now appear in our appropriations. The amount hasn't really changed. As we say, the transfer has been cost neutral.

Our interest in doing this was partly to reflect the way the CRA Act is written. It shows us as having that authority, and yet we weren't really exercising it, in a sense. It places the accountability for those funds. It aligns that accountability with the mandate of the act. And we also believe that it will be an incentive for us to manage our demand a little more carefully.

It's no longer going to have the appearance of a free good. It's going to have the appearance of something we pay for. Our sense is that once you change that perspective on things, it might cause you to examine a little more closely how you're demanding the space you're occupying.

Mr. Mike Wallace: Okay.

Because I didn't see any change in the numbers from the supplementary to the main estimates, I'm assuming that if the government of the day changes.... Let's take a look at your workload. In a sense, because of the changes in the budget that have happened with Whitby, as the minister likes to call it, and some other changes that we have made, the same bodies can handle the.... Have you had growth in the actual number of people in the department?

Mr. James Ralston: Yes, it certainly could happen. It would depend on the nature of the item, but many of these items do reflect the cost for computer programmers to reprogram our systems.

There are certain areas where—perhaps, the earlier question about interprovincial tax avoidance might be a good one—maybe it would mean that we would increase the number of auditors we have available to devote attention to that kind of activity. There certainly is that element. A portion of this money will go to salary costs.

Mr. Mike Wallace: I haven't seen any major increases; you're managing with the same number of people, basically. My question is, have there been any spikes in it in the last couple of years?

Mr. James Ralston: Certainly, given the size of our base budget—and this represents a fairly small increment—it wouldn't be a noticeable change in our staff complement as a result of this.

Mr. Mike Wallace: I notice you're responsible for the department for any GST rebates, for example, and so on and so forth, through the tax system. How does the 1% decrease that we've announced for January affect things?

• (1710)

Mr. James Ralston: Again, it's similar to what I've just described. There would be a certain amount of effort required to just reprogram systems. There would also be effort required to go in and change any publications that made reference to the old rates versus the new rates. We might need to provide information to our inquiries agents so that they would be able to deal with questions around the change.

To the extent that those kinds of preparations have a price tag, we have to seek the incremental funding for that.

Mr. Mike Wallace: Based on previous experience, the performance indicators we used to use were reflected in the money we allocated, and we tried to meet those performance indicators. Again, performance indicators here are, in my view, old by the time we get to see them.

What are the expectations of the department in terms of...? Do you have performance indicators for how quickly you get back to it? If a tax return comes in on a certain day, how long...? What are you working toward? What's the goal?

Mr. James Ralston: Well, we—

The Chair: That will be the last question, so just carry on with a quick answer.

Mr. James Ralston: Again, when the finance folks were here, you made reference to the DPR and the RPP. We have our corporate business plan, which sets out our plans and also sets out a fairly large number of service standards, things like our goals for turnarounds on refunds or appeals or whatever. Then we report against our achievement in the annual report, which is a public document. But for management purposes we also track those very same measures on a more timely basis, quarter by quarter, to see if we're meeting the standards we've set for ourselves.

The Chair: Thank you very much.

We have a couple of quick questions from Mr. Pacetti and then from Monsieur Bouchard.

Mr. Massimo Pacetti: Thank you, Mr. Chairman.

I just want to thank the witness. In the past, every time you've come before the committee and we have asked you for additional information, you have provided it to us. I want to put that on the record and thank you for that. It comes in quite quickly and is quite detailed. Thank you for that, and I hope you continue to do that. It helps our work a little bit.

I have just two quick questions. One is a follow-up to what Mr. Wallace was asking.

I pulled out, for example, the auditor's report and the comments regarding internal taxation. One of your comments... I remember speaking about it when we had the review as well. We were looking to hire more professionals and expertise. Perhaps the money is not there. But do you not think there is any need for more money to get specialized staff? Is your budget sufficient?

Mr. James Ralston: In point of fact, in the 2007 budget, there was an amount given to us for increased enforcement activities. It was \$15 million in 2007-08, and that's reflected as a portion of that \$45 million item you noted already. Embedded in there is some for increased enforcement. Then for future years, the budget allowed \$50 million per year. I think it was for three years. I can't recall how far into the future it goes.

What we have done is identify six different enforcement activities that we feel we would like to enhance, so we've apportioned that money within that. In part it will mean, in some cases, hiring additional staff to pursue that.

Mr. Massimo Pacetti: My last quick question would be on the second portion, under the transfers. You have a lot of transfers from Justice. I would assume that you already have enough internal attorneys or people to take care of these situations. When would you have to go outside your own department or organization? At what point do you say you can't handle this any more?

Mr. James Ralston: In this particular case, the transfers have to do.... I don't know if you are aware, but there have been some changes in the way the Department of Justice is being financed. Basically, we will now be expected to pay for legal services that we would otherwise receive free of charge, so to some extent this money is reflected as an increase in our budget to enable us to make those payments. But that's kind of a technicality related to the item in the subsets.

To get to your question, there is basically a section of the Department of Justice called tax law services. They work very closely with our appeals people and our enforcement people to handle the legal work related to income tax. It is a sizable contingent of lawyers that Justice devotes to that effort.

Mr. Massimo Pacetti: Has that always been there?

• (1715)

Mr. James Ralston: It always has been there, yes.

Mr. Massimo Pacetti: Okay, thank you.

The Chair: Thank you very much.

Monsieur Bouchard, the floor is yours.

[Translation]

Mr. Robert Bouchard: Thank you, Mr. Chairman. Thank you for being with us today.

Deputy Commissioner, the Auditor General's Report makes reference to the fact that auditors working for the Canada Revenue Agency are well trained, and that everything seems to work well and be perfectly adequate. However, she makes an important point with respect to experienced auditors. Her report states that there is a lot of movement amongst staff, that many employees leave the Canada Revenue Agency and that training could be improved as regards experienced auditors.

So, my question is: has the Canada Revenue Agency made any assessment of the money the federal government could recover if it had more experienced auditors or auditors who are better trained or better able to comply with its own standards?

[English]

Mr. James Ralston: I referred earlier to the additional \$15 million we're requesting in these supplementary estimates for auditors. We would have an idea based on historical patterns of what kind of additional revenue would be generated from having more auditors to do the work.

In terms of talking about the revenue impact of changing the level of experience or qualifications within our existing staff complement, to my knowledge we've not done any calculations of that sort.

[Translation]

Mr. Robert Bouchard: I would like to move on now to my second question, which is addressed to you, Deputy Commissioner.

I regularly hear it said in some regions of Quebec that you are cutting back your staff. For example, there is a Taxation Data Centre in my region of Saguenay—Lac-Saint-Jean. I am told that there have been cutbacks in staff, and I am hearing the same thing in other communities, such as Sherbrooke and Shawinigan. Moreover, certain services have been centralized in Ottawa or in larger cities. In addition, taxpayers, some of whom are in other ridings in Quebec—have told me about certain changes, such as the fact that taxpayers have to make an appointment in order to speak with an employee of the Canada Revenue Agency.

I assume that if this is occurring in a number of different regions in Quebec, it is likely to be occurring elsewhere in Canada as well. That suggests that the Canada Revenue Agency has a certain amount of flexibility. If there are cutbacks occurring in the regions, not only in Quebec but elsewhere as well in all likelihood, that means there is more money. So, I am surprised that you are asking for a Supplementary Budget.

I'd be interested in hearing your comments on that. Does that really give you any flexibility? Is there anything to be gained from cutting back your staff in certain regions—it is certainly the case in my area that there have been staff and even service cutbacks? If so, what is that money used for?

I invite your comments.

• (1720)

[English]

Mr. James Ralston: In terms of these supplementary estimates, the funds that are requested are very targeted to particular measures that emanate from the budget or other policy statements. As I indicated, we're trying to represent the additional costs to the agency of implementing those particular measures. They're not related to the kind of broader issue you've alluded to. These ones are very specific to identifiable policy initiatives.

In terms of your broader question, all I can say is that the agency is constantly trying to improve its operations. There may be staffing level adjustments from time to time. It's usually motivated by our need to try to optimize our budget around the many different activities we have to conduct.

With respect to specific kinds of operations, my position is basically that of the chief financial officer. I'm not really in the best position to talk about particular operational decisions. If you have a specific query, I can ask my operational colleagues to provide answers that we could get back to the committee with.

The Chair: Thank you very much.

Thank you for the questions.

Thank you for coming in and answering those questions for the committee. We appreciate that very much.

With that, we will call this meeting adjourned.

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