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—
Chair

Mr. Rob Merrifield

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• (1535)

[English]

The Chair (Mr. Rob Merrifield (Yellowhead, CPC)): I'll call the meeting to order, seeing that we have enough members at the table.

We have some motions to deal with, and then we'll move in camera and talk about future business. We want, first of all, to start with the notice of motions before us.

We have Mr. Massimo—no, it's Mr. Pacetti!

I'll get that right in about three or four years, don't worry.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): It's okay, I've been called worse.

The Chair: Yes, he's been called worse, and he'll be called worse at this table.

Some hon. members: Oh, oh!

The Chair: We can do this in either of two ways. We can either entertain all of these at once, if the mover would like, or we can take them one at a time.

The floor is yours, and you can introduce them as you wish.

Mr. Massimo Pacetti: Let me just explain to you why these are here.

The purpose of having these motions here, basically, is that they should have been brought up at the steering committee. We didn't have a steering committee meeting last week and there are some open holes. These are some of the issues I think this committee is responsible for, including having some of these corporations or arm's-length organizations, which are the responsibility of the finance committee, to appear before us.

When I was chairing the committee, some of them refused to appear or avoided appearing here, so I think it's important they appear. I'm not asking that they appear for two or three hours. We could even bunch two at the same time. If the members across the table are willing to entertain this, we could do them in a batch.

Motions two and three are basically the same. I would suggest that perhaps we have them at the same time, because as my friend John McKay says, some of these subject matters are probably worse than watching paint dry.

I think they're all numbered. The first motion, regarding the independent parliamentary office, is probably more urgent, because we'd like to see some experts testify as to what they think the

forecast is going to be. There is nothing political or partisan in this, because these are potentially the same experts as the Department of Finance uses—and perhaps the Department of Finance could even come and help us out.

I see a typo in motion one.

Mr. Chairman, if you would like, I could speak to them one at a time. I leave it to you, but I'm prepared to speak to them one at a time.

The Chair: Mr. Del Mastro.

Mr. Dean Del Mastro (Peterborough, CPC): Having reviewed the motions by the member, I'd be happy to entertain a motion to adopt them all at once, if the member wanted to make such a motion.

The Chair: Okay, we're going to make that decision very quickly.

Is the mover all right with doing them all at once?

Mr. Massimo Pacetti: No, if we could hear what everybody says, then we'll decide.

Have Mr. Crête—

The Chair: Well, I'm not going to allow a discussion to go on too long and for us to go back and forth on how we're going to do this.

Mr. Massimo Pacetti: No, no, just get a feeling for this from the Bloc, because I didn't get a chance to speak to them.

The Chair: Okay, let's hear from the Bloc.

Go ahead, Paul.

[Translation]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): As for me, I am not opposed to the motions as such. The first seems the most interesting to us. However, before we adopt it, I would like to know what is going to happen to private members Bouchard and Watson's two bills, which the Committee has to study before March 5, 2008, or they will be returned to the House of Commons and deemed adopted as is. We know, however, that they will both probably need to be amended.

I would like to know if, by adopting this, we are making it a priority. I feel it is important that we decide how we are going to dispose of these two bills and that we put the motions to a vote. We can also vote on the motions, knowing that we can determine afterwards which witnesses we will meet with first and what we will tackle to start with.

[English]

The Chair: Well, the private members' motions are issues the committee will have to deal with. We have till March 7, and then we can ask for a 30-day extension. So we will get it done in that time period.

But we're going to deal with these motions. I suggest we go through them one at a time, as it looks like we're going to get bogged down if we don't. So let's just do that.

So speak to the first one.

Mr. Massimo Pacetti: No, I think everybody is fine with adopting the motions. This is in lieu of a steering committee; this could have been done in a steering committee, and we could then have given direction to the main committee. So the problem is in terms of priorities. I think Mr. Crête's point is very valid in terms of setting what the priorities of the committees are.

What I would propose, if it's easier for the committee, is that I just put forward motion number one, and we table the other ones until we're ready. But this is meant for planning our work schedule, because we also have other motions. There's Mr. Turner's motion and there's Mr. Dykstra's motion.

But I think motion number one is a priority. I'm not sure if we can get people here for Wednesday. If we can't get the experts for Wednesday, then we can get witnesses for motions two and three, because I think OSFI and the Canada Deposit Insurance Corporation will be ready by Wednesday.

The Chair: My suggestion to the committee—and your points are well taken—is that we should just decide whether we're going to do these and have them here. Then we can discern what is the best and quickest way to deal with this in order to get this all done. If we need to do this in a steering committee, then I'm open to that. But I don't think that's the issue. I think the issue is to get them here and to get the motions done in the quickest possible time. We'll accommodate that, if you like. We can discuss that in future business when we get into that part of the in camera session.

Mr. Massimo Pacetti: With all due respect, we're here and we have two hours, so we have time to discuss this and not go back to a steering committee. We determine the priority.

For me, the priority is already—

The Chair: That's why I suggested that we do that in the second part of the agenda, during the in camera session.

Mr. Massimo Pacetti: That's why, in the priorities, I listed them. For me, the priorities are motions number one, two, three, four, and five, in that order. That is the priority. If we can adopt them all, those are the priorities.

There is a logic to my madness. Yes, it's remarkable. But if we can go ahead this way, I would appreciate it. I think there's a consensus to adopt them, and then we can go ahead with committee business.

The Chair: I hear that there is a consensus to adopt all five. I don't hear any complaints about any of the five.

You should have five. They're all numbered.

The motion is on the floor, and we'll recognize it as adopting all five at once, and then at the in camera session we'll discern what the priorities are.

(Motion agreed to [See *Minutes of Proceedings*])

● (1540)

Mr. Massimo Pacetti: Just for the record, it was unanimous, all five motions. It's a world record.

Thank you.

The Chair: It's a world record. There we go.

With that, it's his call as to whether he would like to bring it forward.

Mr. Turner, you had put forward a notice of motion, but whether you want to bring it forward is totally up to you.

Hon. Garth Turner (Halton, Lib.): Mr. Chair, the last time we talked about this motion, I think I was mandated to go back and get a little bit of information for the members of the committee in terms of background. I now have that information. Perhaps the clerk can pass it around. I can briefly summarize this situation.

This issue goes back to 1998 when these employees were granted stock options to buy shares through a company benefit package. That's when JDS Uniphase bought this company, located on Vancouver Island. The value of the stocks soared to \$300, and these employees had a very substantial capital gain that they would have had to pay tax on. As you guys remember, the dot-com bubble burst, and the \$300 stock collapsed. However, the tax liability remained. This is a situation that certainly was experienced by many Canadians in the dot-com and technology stock bubble of 2000 and 2001.

These particular employees approached their member of Parliament, who is now the Minister of Natural Resources. They asked if he would fight on their behalf. He did, and ultimately the minister was able to secure a remission order from his colleagues at the cabinet table. This remission order set aside the tax liability on the part of these taxpayers. They are the only ones in Canada who received such a favourable tax ruling under this remission order.

This particular motion relates to whether this was astute or proper or a legitimate move on the part of the cabinet and whether this sends a signal to other taxpayers that they should receive similar treatment under the law.

We have a Taxpayer Bill of Rights that says that all Canadians should be treated equally under the law. Given the fact that this has now been unequal treatment, I think it behooves this committee to look at whether that was fair or not.

There's also an issue under the Charter of Rights and Freedoms, which says that all Canadians should have the benefit of equal treatment under the law. It's a pretty fundamental tenet, Mr. Chairman, and although this case only affects a few dozen people, and particularly in one political constituency in the country, the principle is a fairly important one. That is why I thought we should look at it. Should we be granting remission orders? Should there be any kind of mechanism that allows certain taxpayers to become favoured over other taxpayers, or is that a principle that none of us can really afford to see abrogated?

That's the point of this motion.

The Chair: I will open the floor for discussion on it.

Mr. Menzies.

Mr. Ted Menzies (MacLeod, CPC): Thank you, Mr. Chair.

I'm not perhaps as familiar with the situation as Mr. Turner is or perhaps as Mr. McCallum may have been, sitting at the cabinet table when this was discussed in Mr. Martin's time as Prime Minister.

They were asked the same request as was our government. I think it's a situation we all recognize, talking about tax fairness, and I agree completely: what is a rule for one should be a rule for all in this country. It's an interesting situation that perhaps we should be looking at.

My concern right now is that, as we know, we have a budget coming forward. This committee will have many dealings with that. I look at what Mr. Pacetti has put forward and what Mr. Dykstra has put forward in motions that deal with what impacts all Canadians, and I would suggest that those should be the priorities.

If we can look at this in a very small way.... I'm not going to support this, because I personally see it as a witch hunt. But if it does pass, I sense that there will be some concerns from the Liberal Party as to what witnesses we bring forward. They would be from the member from Wascana, who may be a little sensitive about sharing with us what his mandate was from his Prime Minister, that being Paul Martin at that day.

I would suggest that this committee would be far better serving our constituents if we talked about future tax implications. I think we all agree that Canadians are still overtaxed. We need to look at ways that this government can continue to reduce taxes effectively for everyone.

So I will be voting against this. I don't think it's appropriate timing. I think we have many other more timely issues, what with the exciting new budget coming up, which we can be dealing with instead of dealing with this right now.

• (1545)

The Chair: Thank you.

Mr. Crête, and then we'll go to Mr. Del Mastro.

[*Translation*]

Mr. Paul Crête: I thank Mr. Turner for the information. I may have another question about the number of people at issue.

Personally, I disagree with Mr. Menzies that we should consider this on the basis of the priorities in the coming weeks. We have

adopted Mr. Pacetti's motions, saying that we would speak about what is and what is not a priority in the next order of business. Let us decide on the issue of substance.

I feel that this situation is of concern because my fellow citizens in my riding have often felt prejudiced by a tax issue. The law is made in such a way that it is very hermetic. Very rarely is there a mechanism for exempting or not exempting someone. This is worth examining so that we can determine exactly how this happened and what made it possible.

If, in the end, we conclude that it was a sound decision, we will say so. If it turns out not to have been a sound decision or that a move should not have been made, we will say so, too. This strikes me as a fairly special precedent. We might discover that similar orders in council have existed for many years and that other governments have or have not had recourse to them. We need to clarify this situation.

[*English*]

The Chair: Mr. Del Mastro.

Mr. Dean Del Mastro: Thank you, Mr. Chair.

Mr. Chair, I am concerned by the motion for a couple of reasons.

First of all, I think it has the propensity to pit one group of Canadians against another. I don't think that's positive. Mr. Turner is well aware of this situation. He understands the extenuating circumstances that extended from this situation. Families that lost their homes, that received stock option payments in lieu of payment.... These stock options did go up in value rapidly. They dropped in value even more rapidly. They had a gain on paper, but they never saw a dime of the money, and they had millions of dollars of tax liability with no ability to pay it whatsoever.

The government...and indeed former Prime Minister Martin was quoted publicly numerous times as saying that he had instructed the finance minister to fix the problem. We ran on a promise in 2005 and 2006 to address this specific problem—not for everyone, but for this specific group that were terribly discriminated against by the tax laws in this country. It was a specific situation with extenuating circumstances. That's why the government acted. That's why the previous government thought the right thing to do was act, but they did not.

I think this motion only has the ability to pit groups of Canadians against each other. It's not a study that this committee should be entering into. If the member decides to do so, he needs to understand that his new party is on the record as supporting this position, supporting this action. When he ran in 2005, he specifically ran with this as part of the agenda of the party that was ultimately elected to government. Now he wants to do a study into it and pit Canadians against Canadians. I think that's awful. I don't think it's productive. I think we can find better ways to spend our time.

I strongly urge everybody on the other side of the table not to do this. This is about people's lives. This is about families that couldn't pay their bills. This is about people who lost their homes through no fault of their own. That's what this is about. If you really support going on a witch hunt to drag these people before us and try to make some kind of big stink about it because you think there's a scandal there, that's outrageous. It's awful. These people were wronged through no fault of their own, and they stood to lose everything. Thank goodness the government had the integrity to act on a promise to these people.

• (1550)

The Chair: Mr. Pacetti.

[*Translation*]

Mr. Massimo Pacetti: Thank you Mr. Chairman.

I was not too sure about voting in favour of the motion, but I think that the Parliamentary Secretary has convinced me to do so. We should look at the motion before we begin our study on tax reform. If there is a change in position from one day to the next, we should analyse the reasons why this decision was made.

Unlike my colleague Mr. Del Mastro, I do not think that we are here to call in the people involved. The decision is beyond reproach, and I do not think that it will cause us any problems. However, we want to understand the substance of this motion.

[*English*]

I think if we keep this non-partisan, there should be no problem with anybody around this table supporting it. This is going to help us with our study on tax reform.

Thank you, Mr. Chairman.

The Chair: Mr. McKay.

Hon. John McKay (Scarborough—Guildwood, Lib.): In my constituency, the first and foremost issue—all day, every day—is immigration. However, the second issue is generally dealing with the CRA. I've had quite a number of situations in my office where I've thought, this isn't right. People have been caught between interpretations and the regulations and things of that nature, and I can't seem to get anywhere, and I can't seem to offer people solutions. They retain professional counsel, either accountants or lawyers, in order to try to get through their particular situation with the Canada Revenue Agency.

On the face of it, you have a preference that has been accorded to a particular category of taxpayers. I think there are times when an administrative solution is in fact the only solution, because you can't draft legislation that fixes all things for all people at all times. It's just impossible.

The way I see it is that this is an opportunity for members of Parliament to have the CRA, and possibly others, in before us to tell us how things move up the food chain, if you will, to get to administrative solutions for legislative anomalies. It may be that, after reflecting, we actually think there should be a legislative response, not necessarily to this specific situation but to the anomalies that frequently get kicked up.

I have nothing but sympathy for these people who quite innocently took options and got caught in the crossfire of the interaction—taking the options—and how it's interpreted under the Income Tax Act.

I appreciate Mr. Del Mastro's worry about the Liberal Party of Canada, but I'm not overly fussed about that...even individuals in the Liberal Party. I'm touched. I really am touched. I don't think, frankly, that this is all that much of a partisan issue one way or another. I think this is a continually—

The Chair: Please address your comments through the chair.

Hon. John McKay: It is an anomaly that needs to be addressed, where one category of Canadians got a preferential administrative treatment that other Canadians didn't get. There are probably, arguably, other categories of Canadians who may well have as good a claim to an administrative response to their particular situation.

I think this is simply an opportunity to explore that issue and see where there is in fact an appropriate response that we can get.

• (1555)

The Chair: We have four more on the agenda who would like to speak to this. We'll go in order.

Go ahead, Mr. McCallum.

Hon. John McCallum (Markham—Unionville, Lib.): I will be very brief, because I agree with everything my three colleagues and Mr. Crête have said, but I just want to address one small point.

This notion from Mr. Del Mastro that we're pitting Canadians against Canadians, or going after unfortunate people, that's not my intent at all. There is certainly no idea in my mind that we would ever try to get the money back from those individuals, no idea in my mind that we would ask to see them as witnesses.

I think the people we would see as witnesses would be finance officials or tax officials or experts or, conceivably, Gary Lunn, and we might come up with conclusions that the government was right or wrong in what it did, or we might come up with future recommendations, but it's not calling these individuals to account whatsoever.

So I totally reject that argument, and I would certainly be in favour of the motion.

The Chair: Monsieur Laforest is next.

[*Translation*]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Thank you, Mr. Chairman. I need to understand. I will vote in favour of this motion because I need to gain a better understanding of what happened exactly.

There is a Canada Revenue Agency Tax Centre in my riding. A very large number of people who work there often tell me that they themselves wonder about certain inequities that sometimes seem to crop up when processing the tax returns of individuals and sometimes also those of businesses.

Without breaching the principle of confidentiality, these people tell me that they are sometimes aware of situations that they have trouble understanding. I am convinced that people have experienced the same situation: they bought shares, they had to pay capital gains tax and they did not get a tax remission like the one that they received. I feel that this is unfair. And if it is not, we must at least hear the proposed witnesses to understand the merits of this situation before judging it. I think that we absolutely have to vote in favour of the motion in order to properly grasp the situation.

Thank you.

[English]

The Chair: I'm seeing a consensus.

We could go round and round if we like, but unless there's a burning desire to continue, my preference would be to call the question.

Mr. Massimo Pacetti: Could I have just a few seconds, and again not to be partisan, but when we were in Calgary—

The Chair: Mr. Pacetti, you're next on the list, so I'll let you go for thirty seconds.

Mr. Massimo Pacetti: During pre-budget consultations we had a presentation in Calgary from WestJet, whose stock has done nothing but go up, but we had the same type of concern by the WestJet people. So this has nothing to do with people who are just losing money. There's the same concern with people who are making money, where the options are being exercised but they're not being cashed in because all they're getting is stock in return.

So this is an issue that I think we should be looking at.

The Chair: Fair enough.

Are we ready for the vote?

(Motion agreed to)

The Chair: With that, we will now suspend for a few minutes as we move in camera.

[*Proceedings continue in camera*]

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