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Chair

Mr. James Rajotte

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• (1530)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call to order the fourth meeting of the Standing Committee on Finance. The orders of the day are, pursuant to Standing Order 81(5), supplementary estimates (B) 2008-09.

For the first hour we have witnesses from the Department of Finance, and for the second hour we have the Canada Revenue Agency.

I believe Mr. Miller will be presenting an opening statement on behalf of the department. Mr. Miller is with the Corporate Services Branch.

Mr. Miller, you have up to five minutes, and we'll go to questions from members immediately thereafter.

Mr. David Miller (Corporate Services Branch, Department of Finance): Thank you, Mr. Chair.

I am the executive director of the financial management directorate at the Department of Finance. With me today are departmental officials, who are here to assist me in responding to your questions. Perhaps I could just take a brief moment and have them introduce themselves and their roles.

Brian.

Mr. Brian Ernewein (General Director, Tax Policy Branch, Department of Finance): I'm Brian Ernewein, the general director of the Tax Policy Branch at Finance Canada.

Mr. Paul Rochon (Assistant Deputy Minister, Economic and Fiscal Policy Branch, Department of Finance): I'm Paul Rochon, the assistant deputy minister of economic and fiscal policy.

Mr. Rob Stewart (Director, Financial Sector Policy Branch, Department of Finance): I'm Rob Stewart, the general director of the Financial Sector Policy Branch.

Mr. David Miller: As you know, we are here to answer your questions on the 2008-09 supplementary estimates (B) of the Department of Finance. The other organizations within the finance ministry—the Canadian International Trade Tribunal, the Financial Transactions and Reports Analysis Centre of Canada, the Office of the Superintendent of Financial Institutions, and PPP Canada Inc.—have not requested additional resources in these supplementary estimates, so today's discussion focuses solely on the requirements of the Department of Finance.

The department's responsibilities 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 forums.

These supplementary estimates identify a total reduction in the budgetary requirements for the Department of Finance of just under \$701 million, revising our annual budgetary requirements downward from \$80.4 billion to \$79.7 billion for this fiscal year.

The change in budgetary requirements includes a reduction in public debt charges of \$2.2 billion. This forecast was completed in August when these supplementary estimates were prepared. A revised estimate of public debt charges for the 2008-09 fiscal year is reported in Budget 2009.

Also included for information purposes is an increase in transfer payments to the provinces and territories of \$1.2 billion, reflecting payments to public trusts relating to the three Budget 2008 trusts and Budget 2007 protection payments. Please note that these latter two items are statutory in that they have already been approved by Parliament through enabling legislation, but this is the first opportunity to display them in an estimates document. Again, they are displayed for information purposes only and will not be included in the appropriation bill.

In terms of items requiring parliamentary approval, these supplementary estimates (B) request an additional \$249.4 million in the voted appropriations. First, it includes \$15 million in the operating expenditures vote, vote 1b of the Department of Finance, to support the work of the department related to the government advertising programs.

Secondly, there is an increase for the Department of Finance vote 5, grants and contributions, for a payment to Nova Scotia of \$234.4 million in respect of the crown share adjustment payment. The payment settles a very long-standing issue with Nova Scotia on compensation for the loss of profits the province could have earned through a 1982 agreement related to offshore oil, which was subsequently superseded in 1986. It results from the acceptance of an expert panel report on this issue, which provided the methodology to be used in making future payments, and the estimate of past liability for crown share adjustment payments.

Finally, these estimates include a transfer of \$2 million to the Canadian International Development Agency to support the World Bank's new debt management facility for low-income countries.

That concludes my opening remarks. Of course, we would be pleased to address any questions the committee may have on these estimates.

• (1535)

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

We'll start with Mr. Pacetti, for seven minutes.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Thank you, Mr. Chair.

Thank you, Mr. Miller, for appearing before the committee.

Perhaps you could just go over this a little bit slower for me. We seem to be transferring \$234 million to the Province of Nova Scotia for something that happened in 1982, and then we say it was superseded in 1986. I believe there are going to be some other payments based on the Atlantic Accord, and then there are going to be other payments for equalization. How does this come about all of a sudden, where we're going to be accounting for something that relates to 1982 and 1986? Don't accounting rules mean we should be accruing some of these expenses?

Mr. David Miller: Maybe you'll handle it?

Mr. Alfred LeBlanc (Director, Federal-Provincial Relations and Social Policy Branch, Department of Finance): Yes.

The \$234 million is a payment in the context of the crown share adjustment payment provisions. That's a long-standing provision between Canada and Nova Scotia. A legislative framework was agreed to. It required that regulations be set out to implement that legislation.

Agreement on the regulations was never reached, so the government created an expert panel to provide advice on how those regulations should be set out. That panel reported and provided advice on how that legislation should be put in place and implemented. It also provided an estimate of the value associated with those adjustment payments. The \$234 million covers all of the liability, up to date, for those provisions.

Mr. Massimo Pacetti: But you must have had an idea of some minimal amount of payment you had to have made. Wouldn't you have provided for that? You would normally provide for some type of contingency or reserve. You knew there was a liability, so it's not something that just appeared out of nowhere all of a sudden.

Mr. Alfred LeBlanc: Well—

Mr. Massimo Pacetti: I'm just very uncomfortable with the \$234 million.

Mr. Alfred LeBlanc: Yes.

Mr. Massimo Pacetti: It's not \$234; it's two \$234 million. It's a bit of a problem. I understand you're going to explain it to me. You're going to explain it to me again and you're going to do a very good job, but I just have a difficult time understanding how that can happen overnight. This is something that should have been in the regular appropriations. It can't just show up in the supplementaries.

Mr. Alfred LeBlanc: The two parties were quite far apart. There are legitimate differences of opinion on how one would calculate it. It is extremely complex. There were very wide differences in what one might have—

Mr. Massimo Pacetti: Are there more moneys to come from this?

Mr. Alfred LeBlanc: The panel gave an estimate of future value and also gave advice on how the regulations should be put in place. The estimate provides a ballpark sense of what the regulations might generate, but the future liabilities will really arise out of the provisions that are put in place to implement the recommendations of the panel. The panel did their work with certain inputs. The numbers going forward will depend on a range of factors, including gas prices and other costs associated with a project, so it's—

Mr. Massimo Pacetti: Which panel was it?

Mr. Alfred LeBlanc: It was the expert panel, the crown share panel.

Mr. Massimo Pacetti: Did they look just at Nova Scotia or at all the other provinces? There must be—

Mr. Alfred LeBlanc: It's a provision that is unique to Nova Scotia and the Government of Canada.

Mr. Massimo Pacetti: You didn't answer my question in the sense of additional liabilities coming forward after 1986.

Mr. Alfred LeBlanc: Yes. The panel estimated the total for existing projects, and it goes for quite a number of years, I think, out to 2028—

Mr. Massimo Pacetti: Let's just talk about until 2009.

Mr. Alfred LeBlanc: Until 2009?

Mr. Massimo Pacetti: Yes, from 1986 to 2009.

Mr. Alfred LeBlanc: The panel estimated a number of \$94 million for—

Mr. Massimo Pacetti: Okay, that's nowhere—

Mr. Alfred LeBlanc: I just want to make sure I have the right date.

A voice: It's \$95 million.

Mr. Alfred LeBlanc: It's \$95 million for 2009.

Mr. Massimo Pacetti: Okay. And that would be nowhere in the appropriations?

Mr. Alfred LeBlanc: That's a number.... As I said, it'll depend a lot on the regulations, on how they're put in place and what they generate. It's a ballpark number.

• (1540)

Mr. Massimo Pacetti: I have just a quick question. To go back, on the \$15 million, you said it's related to advertising. Could you go over that a little more slowly?

Mr. Miller, please.

Mr. David Miller: Certainly. The advertising items are identified in a summary table at the beginning of the supplementary estimates as a horizontal issue for all departments, but these particular expenditures relate to two programs.

One is the advertising, of course, for the new tax-free savings plan. We'll be spending about \$5 million this year. The ads have been placed during January and February. Again, the concern was that this is a brand-new instrument for Canadians. Quite honestly, I think for every bank and financial institution...you can hardly walk by them without running into that, but obviously there was the original concern that Canadians wouldn't understand the implications.

The second item is a longer-term Advantage Canada series of advertising to indicate to Canadians, as well as Americans, the safety and strength of the Canadian economy. That will be done over a period of time. There's about \$3.5 million spent of that.

Mr. Massimo Pacetti: It's great news that we're advertising for the Conservatives, but do we have any value for what we're advertising in in times of economic crisis?

Mr. Ted Menzies (Macleod, CPC): Your constituents are using it for the same—

Mr. Massimo Pacetti: Couldn't we just increase our EI benefits or some type of—

An hon. member: [*Inaudible—Editor*]

The Chair: Order.

Mr. Massimo Pacetti: I'd like my time to be increased because of this.

Couldn't we put this money to better use for infrastructure or EI? If the banks are already advertising for the tax savings plan, do we need to do that as a government?

The Chair: Mr. Miller.

Mr. David Miller: The idea of the advertising was done when it was created, at the beginning. So the ads were placed in January and February. That program is over. When the ads are set up, you have to do the media buys well ahead—

Mr. Massimo Pacetti: Who decides on the media buys, and who decides how much money to spend on advertising? At what level does that decision get made?

Mr. David Miller: I will have to ask our expert on that to come to the table to address that.

The Chair: Be very brief, sir.

Mr. Jean-Michel Catta (General Director, Consultations and Communications Branch, Department of Finance): Thank you.

The media buy is essentially determined by the objective of the campaign. As Mr. Miller indicated previously, the objective of the campaign was to raise awareness of the TFSA among Canadians.

Mr. Massimo Pacetti: Who would make that decision?

Mr. Jean-Michel Catta: The decision is made by the department based on the objectives of the campaign, which is to raise awareness using the most effective means, which is a mix of television ads and radio—

Mr. Massimo Pacetti: So the minister signs off on that?

The Chair: Thank you.

Thank you, Mr. Pacetti.

Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): I have a few questions for you concerning the equalization formula. The budget implementation legislation provides for some changes to the equalization formula.

I have two main questions. Firstly, if we disregarded these proposed changes and used the formula in effect in 2008-2009, what would Quebec's equalization entitlements have amounted to in 2009-2010 and in 2010-2011?

Secondly, can you confirm that without the changes to the equalization formula proposed last fall by the Minister of Finance, Quebec would have received roughly \$1 billion more in equalization payments that it stands to receive under the new formula?

Mr. Alfred LeBlanc: The numbers for 2009-1010 were announced to the provinces in mid November. The difference between what Quebec will receive in 2009-2010 and what it would have received, according to our calculations, without the changes to the equalization program, totals \$991 million for 2009-2010.

We don't have any figures for 2010-2011. They don't exist.

Mr. Jean-Yves Laforest: You've confirmed that as a result of the amended formula, we're looking at a difference of \$991 million. You maintain that the cost of the equalization program was growing at an unsustainable rate. Do you have a rough idea of the size of the equalization envelope for the next five years?

● (1545)

Mr. Alfred LeBlanc: On December 16 or 17 last, the Minister disclosed to his colleagues the latest growth estimates as compared to the forecasts in the 2008 budget. The projected increase was estimated at \$25.7 billion over five years.

Mr. Jean-Yves Laforest: In the midst of the holiday season, the government published in the Canada Gazette changes to the way in which Hydro One would be treated for the purposes of calculating Ontario's equalization payments.

Will these changes have a negative or positive impact on Ontario's equalization entitlements?

Mr. Alfred LeBlanc: Regarding the measures that have been announced, the provinces were consulted in mid November. The changes are of a technical nature. The O'Brien report policy and recommendations were fairly clear on this score. Crown corporations involved in the generation of hydro-electric power must be considered under the natural resources base, while those that are not must be considered under the corporate tax base.

Hydro One is not involved in the generation of hydro-electric power, unlike SaskPower and NB Power. As a result, Hydro One has been moved to another base, while SaskPower and NB Power have been slotted into the same base as Hydro-Québec.

The policy is clear: even if we're dealing with corporations that carry out a range of activities, their overall revenues must be considered under the natural resources base. Hydro-Québec is being treated exactly the same as BC Hydro or Ontario Power Generation.

Mr. Jean-Yves Laforest: I have a question on this subject.

If Hydro-Québec was treated the same way, that is if revenues stemming from the corporation's generation activities were considered under the natural resources base, while revenues stemming from transportation and distribution activities were considered under the corporate tax base, or in other words, if the revenue stream was split in two, what impact would this have Quebec's equalization entitlements?

Mr. Alfred LeBlanc: I cannot confirm the calculations that were done by Quebec. Nevertheless, we could never just do this for Hydro-Québec, because we would have to do the same for BC Hydro, Manitoba Hydro and NB Power. Since we do not have any figures, it would be difficult to calculate the impact this action would have.

Quebec has done some calculations and can give us some figures, but we cannot confirm them. Changing the status of Hydro-Québec or making an exception for another Crown corporation is not an option, however.

Mr. Jean-Yves Laforest: Aside from Ontario, have any other provinces benefited from these changes? You mentioned Saskatchewan.

Mr. Alfred LeBlanc: SaskPower has been shifted to the other base, along with NB Power. The impact of the move is extremely marginal. The move to put Hydro One in the proper base has had a very slight impact on the province of Ontario. However, the impact of the shift in the case of SaskPower and NB Power has been virtually nil.

• (1550)

Mr. Jean-Yves Laforest: Thank you.

[English]

The Chair: Merci.

We'll go to Mr. Wallace, please.

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

I thank you for coming. I always enjoy these meetings dealing with supplementary estimates.

I want to make a clarification so we all understand something here—which I believe I do. When you talk in your opening statement about the \$79 billion, that's not what it costs to run the finance department. That includes the transfer payments for health, equalization, and the social transfer. All those transfer payments are in there. Is that not correct?

Mr. David Miller: Yes, that's correct. That includes public debt charges as well.

Mr. Mike Wallace: Okay. On the interest charge, you show that you're down by a few billion dollars. If I understand this correctly, it's because the interest rate is not what you thought you would be paying. Is that an accurate statement?

I want to point out that I have the main estimates and the supplementary (A) estimates with me, and to me it's crazy that they're both about the same size—it's the same with the supplementary estimates (B). They should be getting smaller, not bigger.

How do you determine that interest rate when you're determining your main estimates?

Mr. Paul Rochon: The interest charges that are reflected in these supplementary estimates are actually from the 2008 budget. We typically include a budgetary estimate in the mains or the supplementary estimates. The most recent interest charge for 2008-09, updated in the 2009 budget, is \$30.7 billion, so about \$800 million lower than this amount. And the way to go about determining the interest rate is based on a combination of, in this case, mostly actual interest rates that we've paid in the market and a little bit of a forecast for a couple of months.

Mr. Mike Wallace: Thank you for that. It makes a significant difference if we're off a little bit on our estimates on the interest, and I just wanted to know where we got that from.

I'm going to ask you a policy question, which you may or may not want to answer. I don't like supplementary estimates that much. We put the mains together, we vote on them, it's \$230 billion worth of spending, and then we have supplementary estimates (A) come in. It's not that far off in terms of how long that spread is between mains being passed and supplementary estimates (A). The supplementary estimates (B) are normally in the fall, and there are possibilities for supplementary estimates (C).

My experience is that you put a budget together and you live with it, and obviously—and I know you've indicated here—when our budget, the political budget, gets passed there are programs in there that may not have been accounted for before because you've done the budgets previous to that happening.

Now with this budget, which we're hoping go get passed soon, that will be done earlier than it has been in the past. So my question on that is, first of all, will that assist in making the mains more accurate or the supplementary estimates more accurate so there'll be less reliance on...? You've got stuff in the supplementary estimates (B) from last year's budget, right, but you will know whether that's passed or not relatively soon, and will that assist in the budgeting aspects of setting this up?

Mr. Paul Rochon: Somewhat. I know your problem, and what we're trying to do—I shouldn't say “we”, but we in the general sense of the word, and it's mostly Treasury Board Secretariat and the Treasury Board working on it—is introduce an early supplementary estimate, and we did that for the first time last year, to incorporate budget measures as soon as possible, so that one doesn't wait till the end of the fiscal year, both to reflect them in the estimates, one, and then, more importantly, to get the money out quickly.

Mr. Mike Wallace: I have an additional question to that, then. I know it requires something completely different around here from what happens now, but for an improved budgeting system, from a financial perspective, would it more ideal if the Government of Canada, whoever is in power, had their budgets presented and approved prior to Christmas for the next fiscal year?

•(1555)

Mr. David Miller: Perhaps I can address that. It's interesting because the timeframe that's necessary in order to produce the main estimates documents, of which you have an example, plus the reports on plans and priorities that are done by virtually 90 departments and agencies, takes several months. So in fact the closing date for getting new approvals that are required by, say, the Treasury Board to include items in main estimates...it's actually finished almost in October for the following year. So it's very difficult in the approval process to ensure that all those things are lined up and then have a document that's produced and accurately reflects all of the kinds of information that you would require. So there's a huge lag between when in fact the departments prepare the material and when it's presented to Parliament, which causes the first problem.

Again, to allow parliamentarians to see the changes during the year, yes, now we have three supplementary estimates; in days gone by we've had up to seven or eight. So it's very difficult, and it's the lengthy times it takes to prepare the information, to get the approvals necessary to include it before Parliament, as well, of course, as the review by Parliament itself. It just takes a long time.

Mr. Mike Wallace: Am I done?

The Chair: One minute.

Mr. Mike Wallace: One minute. Which one will I ask?

On the horizontal piece, the only time I've seen Finance involved is on the advertising. When I look at the horizontal supplements, they're for programs that are effected by different departments. Is that basically what I'm reading there? And the only one that Finance is really involved in is the advertising, and you happen to be working with CRA and whoever else might be in that. Is that what this is telling me? Is there an accountability for that total dollar, or are those all for different programs, do you know?

Mr. David Miller: Under normal circumstances the horizontal items would represent an initiative that involves more than one program of the government; therefore, to provide parliamentarians with an idea of how this all fits together, they identify each of the partners involved with it.

During the approval process, for example, all of those departments would come forward together for cabinet approval or Treasury Board approval. To maintain that, they're presented as a separate table at the beginning of the supplementary estimates.

Mr. Mike Wallace: Thank you, Mr. Chair.

The Chair: Thank you.

We'll go to Mr. Mulcair.

[*Translation*]

Mr. Thomas Mulcair (Outremont, NDP): Thank you, Mr. Chair.

Good day, gentlemen.

First of all, I'm curious about the percentage of women who hold senior positions in the federal Department of Finance.

[*English*]

Mr. David Miller: Unfortunately, I do not have that particular number or category, but it is substantial. We can provide it to you.

[*Translation*]

Mr. Thomas Mulcair: In addition to the numbers, I would also like to see some evidence of this. After all, my name is Thomas. I tend to be rather skeptical when all I see is men. That often seems to be the case at the Department of Finance.

My first question is for you, Mr. Miller. In your opening statement, you listed the department's responsibilities, specifically, the formulation of policies, tax and tariff laws. Because this is closely related to requests that you make, is there a policy that the public could consult to find out when tariff increases are allowed?

You know as well as I do that you formulate the government's overall tax policies, while Revenue Canada is left to implement them. Quite often, the temptation to increase licensing fees, permit costs and other types of taxes charged by the government is very great. Is there a set policy in place that each department and agency follows to determine which approach to take when contemplating increases to tariffs or other types of taxes?

Mr. Paul Rochon: Yes, there is such a policy in place. It is administered by Treasury Board. That's all I can tell you.

Mr. Thomas Mulcair: Mr. Miller did acknowledge in his statement that your department was responsible for developing tax and tariff policy.

Mr. Paul Rochon: That's correct.

Mr. Thomas Mulcair: I don't mean customs tariffs, but rather all taxes and tariffs that the government charges, whether for a permit or some other thing. I'm talking about tariff policy in the broader sense of the word.

Mr. Paul Rochon: I understand. This policy is indeed the responsibility of the Treasury Board.

Mr. Thomas Mulcair: It is not your department's responsibility. Therefore, you have no opinion on the subject.

•(1600)

Mr. Paul Rochon: We are responsible for administering the customs policy.

Mr. Thomas Mulcair: Every department and agency that might be contemplating an increase in permit or licence fees has to seek Treasury Board approval then.

Mr. Paul Rochon: Yes.

Mr. Thomas Mulcair: Thank you for clarifying that for me.

Getting back to Mr. Pacetti's question, I do not believe we got an answer to the question. Having worn both hats, I'm fully aware of the difference between a senior government official like yourself, and an elected representative like myself. I won't bore you with purely partisan remarks. After all, it is important for us to understand who makes the decisions to spend the taxpayer's dollars to promote a program that is identified with a political party.

Has a new policy been in place over the past three years? If not, is the practice of purchasing advertising, as required pursuant to these estimates, in line with a policy that has been in place since the previous government?

Mr. Paul Rochon: Jean-Michel, perhaps you could answer that question.

Mr. Thomas Mulcair: Good day, sir.

Mr. Jean-Michel Catta: Good morning. My name is Jean-Michel Catta and I am the General Director of the Consultations and Communications Branch at the Department of Finance.

To answer your question, there are two components to the government's advertising policy. Firstly, at the beginning of the fiscal year, the Privy Council allocates advertising budgets to the departments, having decided which particular program the government wishes to promote this year. The funds are then allocated to the departments so that they can run these advertising programs.

That's precisely what happened in the case of the Department of Finance. Treasury Board allocated funds to the department for these two advertising programs.

Mr. Thomas Mulcair: And in the case of the decision to promote a specific item in the government's budget, for example, a program that lets people put aside money in a tax-free account, was this a government decision or a political decision?

Mr. Jean-Michel Catta: As I said, it was a government decision. The government has a funding envelope for its advertising programs and allocates funds based on its priorities. Departments are then mandated to carry out these programs in accordance with the priorities established. Again, for the Finance Department, the tax-free savings account, or TFSA, was deemed an advertising priority of the government.

Mr. Thomas Mulcair: By the administration, or by the political party?

Mr. Jean-Michel Catta: As far as the Department of Finance was concerned, the request originated from the Privy Council Office.

Mr. Thomas Mulcair: I see. Then we're clear on this. Thank you.

Are there rules or standards in place governing the content of ads of this nature? Judging from what we see on television, government agencies, and one agricultural agency in particular, are doing a great deal of advertising these days. This is a very costly exercise.

Are there standards in place governing the content of these advertisements? Some are fairly neutral, while others are clearly intended to stir things up, for reasons unbeknownst to us. For example, the customs agency is running several ads on TV, as if this is going to affect the number of times a person crosses the border between Quebec and Vermont. One has to wonder why taxpayers' money is being spent on this type of advertising.

Is there a guide or objective standards of some kind that the public and elected officials can consult to verify whether these ads comply with the rules or whether their aims are partisan?

[English]

The Chair: Okay, just a very brief response.

[Translation]

Mr. Jean-Michel Catta: Treasury Board has policies in place respecting advertising. Public Works and Government Services Canada also has formulated guidelines respecting the purchase of advertising and the awarding of advertising contracts and, up to a point, the manner in which these advertisements are broadcast.

Mr. Thomas Mulcair: Thank you, Mr. Chair.

[English]

The Chair: We'll go now to Ms. Hall Findlay, please.

Ms. Martha Hall Findlay (Willowdale, Lib.): Thank you, and thank you, everybody, for being here.

Perhaps you can help me just a bit with my own learning of this process. The public transit capital trust, the police officers recruitment fund, and the Saskatchewan carbon capture and storage demonstration trust were all referred to in the Budget Implementation Act, 2008. So they were all already approved. On the public transit capital trust, first, can you lead me through why we're only actually dealing with that money now as opposed to when the budget was approved.

I don't know which person to ask. It's more a timing question.

• (1605)

Mr. Paul Rochon: The budget was presented in this case in 2008, about the same time as the main estimates were tabled. There was no parliamentary approval at that point to make this payment. That came after the main estimates would have been tabled and approved, and these items are included in these supplementary estimates, not really for an approval but for information. They're payments that were made under the authority of the Budget Implementation Act, 2008.

Ms. Martha Hall Findlay: These amounts have actually all been expended already. So in the case of the public transit capital trust amount....

Mr. Paul Rochon: Those would have been made in June 2008.

Ms. Martha Hall Findlay: Okay, that's terrific. Thank you.

On the police officers recruitment fund, is it possible to have just a bit of a breakdown of what that covers, just even in general terms?

Mr. Paul Rochon: Alfred.

Mr. Alfred LeBlanc: I don't have that information with me, but I could get it. Would that be okay?

Ms. Martha Hall Findlay: Yes, if you could, that would be terrific.

I'll just go back quickly to the public transit one, then. Again it's a breakdown question. It's a large amount of money. It's unclear to me where that went—and it may be clearer elsewhere that I haven't seen or I haven't had the chance to look. What kind of accountability was there as to how it was spent?

Mr. Paul Rochon: I'm quite certain that was a payment made to provinces and it would have been allocated on a per capita basis for investments in public transit.

Ms. Martha Hall Findlay: Just to be clear, there's no matching piece to that? That was just a straight allocation to provinces on a per capita basis?

Mr. Paul Rochon: I don't believe there was matching....

Ms. Martha Hall Findlay: And is there some kind of accountability? I'm assuming it has to do with public transit.

Mr. Paul Rochon: Yes. The principle behind this is that the provinces are accountable to their own legislatures. We don't impose accountability constraints on provinces to the extent that we would, for example, claw the money back if we thought that for some reason the funds weren't spent on those items.

Ms. Martha Hall Findlay: Is there a form of reporting that you get from the provinces to describe how that money is ultimately spent? It's not that you would be slapping them on the wrists, but just a question of whether they do in fact report. Do you just say, "Here, take it, and we're hoping you spend it on public transit"?

Mr. Paul Rochon: The provinces agree, when they get the money, to spend it on the purposes set out in the trust. We don't then go and audit them to determine whether they've spent the moneys or not.

Ms. Martha Hall Findlay: Okay. That's fair.

Mr. Paul Rochon: It's an arrangement between two sovereign entities, effectively. The principle behind that arrangement is that they're accountable to their legislature.

Ms. Martha Hall Findlay: Do I still have time?

The Chair: Yes, you have one minute.

Ms. Martha Hall Findlay: This is a bit of a different question. You're being patient with my ignorance while I learn how this process works. When we hear that a fair bit of infrastructure money was allocated and then lapsed, how does the lapsing of that affect the supplementary estimates, or does it, or is it just dealt with completely separately in terms of the budgetary process?

Mr. David Miller: In a general sense—not specifically the programs of Finance—if there's a parliamentary authorization, unless it specifically includes the wording that will allow the money to be spent in more than one year, then it lapses on March 31, and the only way that program may be extended is if it returns to Parliament in the supplementary estimates the following year to indicate the money was lapsed and we're spending it again in the following year. That's the only way it can be done for voted items. If it's statutory, then of course it's just a forecast, and it may go on until the end of the program, but for those items that have to be approved by Parliament through the estimates, March 31 is normally the cut-off.

Ms. Martha Hall Findlay: That's very helpful. Thank you very much.

The Chair: Thank you.

I'll go to Mr. Carrier.

• (1610)

[*Translation*]

Mr. Robert Carrier (Alfred-Pellan, BQ): Thank you, Mr. Chair.

Good day, gentlemen. While we have you here, I would like to take this opportunity to ask you three questions about the pan-Canadian securities commission mentioned in the budget. The committee of experts that recommended the creation of such a commission reported that a legal opinion had been issued on the constitutionality of this national body.

Would it be possible to obtain a copy of this legal opinion?

Mr. Rob Stewart: To be honest, I really don't know. It was issued by a panel of experts working for the minister. It was part of their work. I'm not sure how they arrived at this opinion. I'll have to get back to you.

Mr. Robert Carrier: Fine then. I trust the question is duly noted.

Mr. Rob Stewart: Yes.

Mr. Robert Carrier: Surely it is available, because it was part of the committee's recommendation. Anything involving the Constitution is important.

The provinces would be free to participate, or not participate, in a pan-Canadian securities commission. If a province opted not to take part, but a business in that province decided to register with the pan-Canadian commission, would it be treated differently? Does one option have a clear advantage over the other? Would the company that registered with the pan-Canadian commission have an advantage, compared to one that registered with the provincial securities commission, which would be allowed under your legislation?

Mr. Rob Stewart: Generally speaking, the aim in creating a national securities commission is to ensure more efficient operations, to adopt regulations and to apply these regulations faster than is possible under the current system that is comprised of the 13 provincial securities commissions.

Mr. Robert Carrier: You can answer the question in English, if that's easier for you.

Mr. Rob Stewart: My response would probably be clearer.

Mr. Robert Carrier: Indeed.

[*English*]

Mr. Rob Stewart: It is not seen as directly advantageous to a specific company to participate in a national or a Canadian securities commission as much as it is seen to be to the advantage of the system as a whole to have a Canadian securities commission. The opt-in identified by the panel as a possible future option is to allow companies to take advantage of the efficiency and overall effectiveness of a national, or a pan-Canadian, securities commission. As far as I am aware, there is no particular financial advantage for a company to do so.

[*Translation*]

Mr. Robert Carrier: You're saying that depending on the type of business in which a company is engaged, it might be more advantageous for it to register with the pan-Canadian commission. Is that right?

[*English*]

Mr. Rob Stewart: Not exactly. I am saying it could be in the best interests of a company that is borrowing money internationally and therefore dealing with international securities rules to be registered at the national level as opposed to the provincial level.

[*Translation*]

Mr. Robert Carrier: Therefore, in Canada, it would be possible for a company to be registered in only one Canadian province. Agreements could be reached between the two securities commissions, that is between the provincial body and the national body. We're seeing that happen right now.

[English]

The Chair: Okay, just a brief answer to that—

Mr. Rob Stewart: Yes.

•(1615)

The Chair: That's a very brief answer, thank you.

We'll go to Mr. Del Mastro, please.

Mr. Dean Del Mastro (Peterborough, CPC): Thank you, Mr. Chair.

I note in the estimates a crown share adjustment program for the Province of Nova Scotia, and it was determined by a panel that Nova Scotia would receive roughly just over \$234 million. My understanding from the Library of Parliament is that that extends from the agreement under the national energy program.

It leads me into a question I'd love to get the answer to, and it deals with offset payments. I'm very curious. How is it, in a country where we have a system of equalization, that we also have offset payments that are separate from equalization but seem to also cloud the issue of equalization? I'm very curious as to why, for example, Newfoundland is receiving an offset payment when they exceed the fiscal cap of Ontario. How was that agreement struck, and why is there so much open-ended interpretation of what that means?

Mr. Alfred LeBlanc: These offset arrangements are long-standing agreements, the origins of which, in some cases, go back to the late sixties, early seventies.

This agreement attempts to work out a framework for offshore oil and gas development and who would benefit from offshore oil and gas development, who owns the offshore resources. Over time, involving many different governments and many different steps, different agreements were put in place, including the 1985 accord. They have lots of different provisions, but in the case of the offset payments to the Government of Newfoundland and Labrador, there are provisions for the offsets to protect or to limit the decline of Newfoundland's equalization year over year, and it's perfectly within the way those arrangements were structured that they provided transition protection after the Province of Newfoundland went out of equalization.

I believe a similar arrangement was in place in Alberta for a brief period when it may have collected equalization. I'm not sure about that, but it would be worth checking. I could check for you, if you like. Anyway, it's very much within the workings of the 1985 accord that it provides transition protection for a period of time after the province goes out of equalization.

Mr. Dean Del Mastro: So am I correct in saying this will sunset at some point?

Mr. Alfred LeBlanc: Yes. November 20, 2012.

Mr. Dean Del Mastro: In the interim there's been some suggestion publicly that this province has somehow been negatively affected. It seems to me, and you can correct me if I'm wrong, that about 40% of the total federal tax dollars are raised from the Province of Ontario, either through personal taxes, corporate taxes, what have you—that's roughly where about 40% of the taxes come from. Any amount in the offset that is paid...wouldn't I be correct in

assuming that about 40% of that would have to come from the Province of Ontario, a have-not province under equalization?

Mr. Alfred LeBlanc: That's a very rough kind of equivalence.

Mr. Dean Del Mastro: Roughly.

Mr. Alfred LeBlanc: All other things equal, more or less you're.... Yes.

Mr. Dean Del Mastro: I'm right. Thank you. I appreciate that. I defer to Mr. Wallace.

The Chair: Now you have less than one minute.

Mr. Mike Wallace: Then what we're voting on today, if I have this right, is the \$15 million, or whatever it is, for advertising—is that correct?—and the \$234,400,000 for the Nova Scotia payment, which I agree with Mr. Pacetti should have been budgeted long before this.

Mr. Massimo Pacetti: That means a lot to me.

Mr. Mike Wallace: But you're taking the reduction in the interest charge against that in a sense, so what we're voting on here today is in brackets. Is that not correct?

Mr. David Miller: The statutory items are there for information only. No vote is associated with it. The two items, you are also correct, the \$15 million for the advertising in our vote 1 for operating and the \$234 million in vote 5 grants and contributions for the Nova Scotia payment, because it is not statutory, require Parliament's approval.

•(1620)

Mr. Mike Wallace: It has been spent. Is that not correct?

The Chair: Okay. Response.

Mr. David Miller: Not yet.

Mr. Mike Wallace: Not yet.

The Chair: Thank you. We'll go to Mr. McKay please.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Mr. Chair. So \$50 million for advertising, \$234 million for Nova Scotia—you save \$2.1 billion in interest charges and then there are these other informational ones on which there is no vote.

Regarding the public transit and the police officers fund that Ms. Hall Findlay talked about and the others here, why were those amounts not in the original authorities?

Mr. Paul Rochon: Yes, they would have been. Effectively they were, and that was the Budget Implementation Act, 2008. They're here for information only.

Hon. John McKay: If they were, and now they're here again, does that mean they've lapsed?

Mr. Paul Rochon: No. The payments were made. We're reporting them here for information only.

Mr. David Miller: A point of clarity. The legislation that allowed for those payments was independent of the estimates approval, but all items that have financial implications are put into the estimates document so that Parliament can see how much they've voted and how much they've approved through stand-alone legislation. The timing was such that when the main estimates for 2008-09 were put together, the budget implementation bill had not passed; therefore, this is the first opportunity. It may seem late because this would normally happen in the fall, but it was the first opportunity to present it to Parliament through the expenditure plan.

Hon. John McKay: So this money is out the door at this time.

As a point of information, last Thursday the parliamentary budget officer said that 50% of the infrastructure money lapsed, aside from the gas transfer money. When it lapses, presumably it goes back into the government's piggy bank. What happens to it at that point? Does it still retain its ability to go back out to the program in a vote?

Mr. Paul Rochon: The government has committed to a block amount of \$33 billion for the infrastructure programs, and when it lapses those moneys are pulled forward to future years.

Hon. John McKay: Okay.

Mr. Paul Rochon: Let's be clear. We had this discussion this morning. The existing \$33 billion infrastructure program, which is before the 2009 budget amounts, is reprofiled to future years when it lapses. The governing principle behind the new moneys that have been announced in the 2009 budget is use it or lose it. So if those lapse, they are gone; they go to the bottom line, effectively.

Hon. John McKay: All right. That's interesting information.

I think the budget officer said that the government didn't get out about \$1 billion of the \$2.3 billion. That is my vague recollection—\$1.1 billion on \$2.3 billion; I think those are the numbers. Therefore, that \$1.1 billion has just been moved forward into the overall program. But if that same thing happens and you are sitting here this time next year with new moneys, that money would be gone. Okay. Thank you for that clarification.

You have a transfer to CIDA. I'm not quite sure how I read that. Does it mean that CIDA is giving the money back to Finance, or is it that you're sending the money to it? It looks like only \$2 million.

Mr. David Miller: It is only \$2 million, and it was provided to CIDA because it has the program responsibility to deal in this area with the World Bank. It was an amount that Finance identified to help contribute towards that initiative.

If you'll notice, again, in the front of the supplementary estimates, there are several pages of transfers between programs, which require Parliament's authority, but in effect it's several departments contributing towards an objective over which one department has ultimate responsibility. The money is moved—it's frozen, actually, in the department it comes from—and Parliament votes it in the receiving department. There are several examples of that in the front of the estimates book. This happens to be the last one in the table, but it's a small one.

•(1625)

Hon. John McKay: So does this zero things out, then?

Mr. David Miller: Well, in the estimates under CIDA, it has a \$2 million increase to show that change, so the identification as the

source of the money is Finance, which is there as information, and then basically CIDA gets the increase in its appropriation order to spend money.

The Chair: Okay, final question.

Hon. John McKay: I have a final, final question.

Bill C-293 passed and received royal assent in May. Significant responsibility is appropriated to Finance as to how that bill is applied to official development assistance. Can you advise the committee as to what progress you've made in the thinking behind the application of Bill C-293?

The Chair: Very briefly.

Mr. Jim Haley (Senior Advisor to the ADM, International Trade and Finance, Department of Finance): Yes, we've completed a public consultation; it's a web-based consultation. We've received several responses. Essentially, the reporting to Parliament will be progressing according to the legislation.

The Chair: Thank you.

Mr. McKay, unfortunately, you're over time.

Mr. Wallace, you have about three minutes.

Mr. Mike Wallace: I'll take one minute here. Thank you, Mr. Chair.

The one thing I kept reading over and over again—and I need to understand how it affects you and what I should be taking from it, if anything—is the changes to supplementary estimates. They call it major changes. I can't figure out why it's a major change.

They talk about the way it's stating things from permanent allocations from TB central votes to a column here that says "authorities to date", and I think it used to be called "previous estimates" or something. Other than a bunch of changes in words, is that supposed to mean something to me as a member of Parliament reviewing these estimates? What is the actual change that has happened, and what is its effect to you as a department and to me as a member of Parliament?

Mr. David Miller: Beginning with this fiscal year, there were two votes established to allow for payments that normally flow on the basis of a central decision out to the departments and are eventually included in supplementary estimates. For reasons of clarity, these two votes were set up. Again, one deals with requirements through collective agreements, where when the new funds are allocated, parliamentarians will be able to say, "All right, how much did we put in a provision for, and how much is the actual result, the requirements in each of those departments?" They're there for clarity purposes to allow you to say, government-wide, the implications of those particular votes are distributed in this manner to all departments and agencies.

Mr. Mike Wallace: Those votes are normally around HR issues. Is that...?

Mr. David Miller: Yes, and they're included in the Treasury Board Secretariat's estimates.

Mr. Mike Wallace: So that's supposed to make it more clear for me where we're allocating human resource funds based on negotiations that have happened and results from that.

Mr. David Miller: Yes, the idea was to add clarity to those items. It actually affects every department as they go through. Again, departments aren't provided funds ahead of time to allow for collective agreements. It's a catch-up item.

The other vote is to allow departments to carry over up to 5% of their operating vote for purposes of good cash management. Again, it's a central vote, and all the details about the distribution are listed in the estimates.

Mr. Mike Wallace: Are we expected to see supplementary estimates (C), or are we done?

Mr. David Miller: I believe there is a supplementary (C) that would normally be tabled in Parliament at the end of this month. Every other year there's been one, but I can't vouch for that.

Mr. Mike Wallace: Thank you, Mr. Chairman.

The Chair: Thank you very much.

Thank you for coming before us and presenting and answering our questions.

There were a number of items on which you agreed to respond to the members afterwards. If you could submit those to the clerk, we will ensure that all members of the committee get them.

Members, we will suspend for about two minutes, and then we'll have the Canada Revenue Agency people come to the table.

Thank you very much for your time here this afternoon.

• (1625) _____ (Pause) _____

• (1630)

The Chair: Okay, members, let's find our seats.

We'll resume this meeting to consider supplementary estimates (B) 2008-09.

We have an hour session with the Canada Revenue Agency.

We have Mr. William Baker, commissioner and chief executive officer; Mr. James Ralston, chief financial officer and assistant commissioner, Finance and Administration Branch; and Mr. Filipe Dinis, director general, resource management directorate, Finance and Administration Branch.

Mr. Baker, I understand that you have an opening statement of up to five minutes, and then we'll go to questions from members.

Please begin at any time.

Mr. William Baker (Commissioner and Chief Executive Officer, Canada Revenue Agency): Thank you, Mr. Chair.

First of all, I'd like to thank you for the opportunity to appear before the finance committee to discuss CRA's supplementary estimates (B) for 2008-09. I'm joined today by two of my colleagues. Jim Ralston is our chief financial officer and Filipe Dinis is our director general of resource management.

Mr. Chair, as you're aware, the CRA is responsible for the administration of federal and certain provincial and territorial tax programs as well as the delivery of a number of economic and social programs for the Government of Canada. In support of this mandate, the CRA supplementary estimates comprise a number of adjustments to the agency's spending authorities totalling some \$450 million, which represents an 11.3% increase in the authorities granted to date.

With the inclusion of these supplementary estimates, the agency's authorities will amount to \$4.442 billion for this fiscal year.

Two transfer payments account for \$420.2 million, or 93%, of this increase. The first transfer payment is for \$419 million and represents the forecasted 2008-09 statutory disbursements to provinces under the Softwood Lumber Act for net export charges related to the export of softwood lumber products to the United States. As members may be aware, the CRA has administrative responsibility for the Softwood Lumber Act.

The remaining transfer payment, amounting to \$1.2 million, pertains to the forecast of payments to low-income families and low-income seniors under the Energy Costs Assistance Measures Act. This payment represents a \$250 amount that is issued to each recipient.

The other funding adjustment being sought through these estimates is an amount of \$22.7 million for tax policy and legislative measures introduced in both the 2007 and 2008 federal budgets. Specifically, the funding is required to implement two initiatives. One is the functional currency tax reporting initiative. This will cost us \$3.2 million to get ready to accept returns and payments in currencies other than the Canadian dollar. The other is the tax-free savings account, which I'm sure members are familiar with. This amount is \$19.5 million, which will go towards implementation and administration of this new savings vehicle.

Also being requested in these amounts is \$7.2 million to cover our advertising programs. This amount is comprised of \$6 million to fund the advertising campaign for the 2008 tax filing season, and \$1.2 million, which represents funds we're going to receive from the Public Health Agency of Canada for the advertising related to the children's fitness tax credit.

• (1635)

[*Translation*]

Mr. Chair, you will note that we are reflecting a \$0.3 million amount relating to the Wage Earner Protection Program which will be used by CRA to help ensure workers obtain timely payment of unpaid wages and earned unused vacation pay from employers who go into bankruptcy or receivership.

Finally, the remaining \$0.4 million adjustments, which are included in CRA's Supplementary Estimates, pertain to transfers from CRA to other government organizations. So then, \$0.2 million will be transferred to the Public Service Human Resources Management Agency of Canada in support of the National Managers' Community.

The remaining \$0.2 million will be transferred to the Treasury Board Secretariat to support the activities that are essential to continue the implementation of the Public Service Modernization Act.

At this time, my officials and I will be most happy to respond to questions from committee members.

Thank you, Mr. Chair.

[English]

The Chair: Merci.

We'll go now to Mr. Pacetti for seven minutes, please.

Mr. Massimo Pacetti: Thank you, Mr. Baker and Mr. Ralston, for appearing before the committee.

I have a quick question. On the detailed sheet we received here, \$22.7 million is based on making adjustments for the functional currency tax reporting and the tax-free savings account. I can understand there being an adjustment for the functional currency tax reporting, but what is the \$19.5 million for the tax-free savings account?

Mr. William Baker: Just generally, that's the new budget measure that was introduced last year. It's related to our expenses in the Canada Revenue Agency to gear up in terms of the administrative support to allow us to deliver that program—for instance, the ability to process the forms when they come in.

Mr. Massimo Pacetti: So that money, the \$19.5 million, hasn't been spent yet.

Mr. William Baker: Some of it will have been spent in terms of readiness for the program. These are, of course, supplementary estimates for the current fiscal year, so this relates to expenditures that we have or will be incurring over the next while to support that budget measure.

Mr. Massimo Pacetti: You're going to need \$19.5 million just to accumulate forms? There is no tax measure per se for the tax savings account. It will just be an administrative type of account that I think the brokerage companies or the banks will be managing. I don't see what CRA has to do, other than collect forms, I would imagine.

Mr. James Ralston (Chief Financial Officer and Assistant Commissioner, Finance and Administration Branch, Canada Revenue Agency): I think a large part of that will in fact be for the development of some IT applications that are related to this. As you pointed out, there will be significant reporting obligations placed on financial institutions—

Mr. Massimo Pacetti: I understand.

Mr. James Ralston: —so we need to be able to capture that information when it comes in.

Mr. Massimo Pacetti: I'm not sure what the additional IT information would be. It's not like you're giving a deduction for these

tax-free savings accounts. It's not going to touch CRA policy at all. It's just a question of, again, I would assume, forms, is it not? What kind of IT information would you be—

Mr. James Ralston: I believe we also have to track, because there's a certain amount of eligibility, which if—

Mr. Massimo Pacetti: You don't sound too convincing with “I believe” and “I think”. We're having a hard time.

Mr. James Ralston: This is one of the measures where if you don't use your allotment in a particular year it carries forward for use in another year. So we need to be able to capture not only the information from the financial institutions, but we have to keep track of the individual taxpayer accounts in terms of how much available room they have for these kinds of contributions. That's the kind of thing.

Mr. Massimo Pacetti: So it's not just up to the financial institutions to do that.

● (1640)

Mr. William Baker: The financial institutions will be administering the vehicles for the investments, of course. They're all, as you know, actively advertising these as we speak.

But take the \$5,000 in a given year. It's not required that the individual taxpayer do the entire \$5,000 worth of business with a given financial institution. They may choose to work with several.

We are the place where it will all have to be reconciled to keep the active balances, to measure the outflows and the inflows, because as you know, if in a given year you take \$3,000 out, you can put it back in the next year. So we have to keep the accounting of that.

I should add, if I might, that this falls outside the regular tax assessing system. So we actually have to create inside the agency a parallel process to allow us to keep track of all this.

Mr. Massimo Pacetti: Now that makes sense.

My next question is going to be that I don't think with \$19.5 million you have enough. As you said, this is creating a whole new database and a whole new infrastructure in IT. I think this is just another one of those Conservative policies that's going to be a nightmare, consuming more money than it's actually going to benefit.

That said, I have a quick question on advertising. There's a lot of advertising that goes on. Why would you not have had a provision for the \$6 million for tax filing season 2008? The \$1.2 million I can probably understand with the public agency, but my concern is mainly with regard to the \$6 million out of the \$7.2 million, that annual reoccurrence where you're going to be advertising that people have to file their tax returns.

Mr. William Baker: It's true that just about every year there's some form of advertising around the tax-filing season. It changes every year, too, depending on the new tax measures that are introduced through the budget. So every year, as a matter of standard course—and I believe this is true for advertising across the Government of Canada—you're required to make a separate submission and get approval for that.

Mr. Massimo Pacetti: Wouldn't it already have been in the main estimates?

Mr. James Ralston: Maybe three years ago now there was a time when we did have an annual amount budgeted for advertising, and then the government changed the administration of advertising and centralized it. I think reference was made to that already when the finance people were here. So at that point in time an amount that was typically in our main estimates was transferred to the central fund of government, and now we must reapply for that each year to get a portion.

As Mr. Baker has mentioned, we will generally get our requests granted, but it isn't a guarantee and there have been years in which we haven't done advertising.

Mr. Massimo Pacetti: I guess the question at the end would be how much of that advertising money is to promote the Conservative government policies once again.

Mr. William Baker: The advertising that will be carried out tries to accomplish two things. One is to advise the public of the availability of particularly new tax measures—and we've had a lot of them in the last few years—so that they're aware of them.

Mr. Massimo Pacetti: But it probably costs you more money than taxpayers are actually saving.

Mr. William Baker: I wouldn't have an answer to that.

The other part is that we also—

Mr. Massimo Pacetti: I can help you with that. There's a high probability that that's what's happening here. Just for the fitness tax credit you're spending over \$1 million to advertise.

Mr. William Baker: If I might add, we also use the advertising to try to reinforce to taxpayers the advantages of electronic filing, as well as inform them of the availability of our services in terms of information.

Mr. Massimo Pacetti: Okay, thanks.

The Chair: Thank you, Mr. Pacetti.

Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest: Thank you, Mr. Chair.

Good day to all of you.

As part of your budget analysis, did you give any thought to improving the compensation system for CRA employees? I'm asking the question because the Shawinigan Tax Centre is located in my riding. Employees at the centre and perhaps others elsewhere in Quebec—that is, if there are others elsewhere—are encountering major problems getting paid. Some are waiting as much as 12 weeks before collecting a paycheque. This problem dates back to last year, when compensation services were centralized. It would appear the same problem has surfaced again. It affects a sizeable number of part-time workers.

Have you thought of a way to resolve this dilemma? Do you intend to revert to the old system where compensation services were decentralized? Or, do you intend to maintain the status quo, that is a centralized service that continues to cause problems, not only for CRA, but especially for its employees? The situation is ridiculous. Have any funds been budgeted to address this problem?

• (1645)

Mr. William Baker: This problem was not addressed in the budget because we have the resources within CRA to manage personnel. I'm well aware of the problem. In fact, I attended a briefing this morning on these problems, which primarily affect the Quebec region. We are currently doing an analysis to determine the cause of some of these problems. While not many people are affected, even one person who is not receiving a paycheque is one person too many.

Mr. Jean-Yves Laforest: It may not seem to you that many people are affected, but in fact, several hundred people are affected.

Mr. William Baker: I understand, but out of a workforce of 44,000, we are not talking about a large number of people.

Mr. Jean-Yves Laforest: But the fact is that they all work at the same location.

Mr. William Baker: Even if only 1 per cent of the workforce is affected, it's important to try and resolve these problems. Initially, our strategy was to review the situation and consider possible solutions, while keeping both of the country's compensation centres in operation. Clearly, that is the most efficient option.

Mr. Jean-Yves Laforest: Fine then. Moving on to another topic, you use the expression “functional currency”. How is this type of currency going to help taxpayers?

Mr. William Baker: It is easier for some companies to file their tax returns in foreign currency, for example, in US dollars, Euros or British pounds. The aim of this international trend is to facilitate business management. This will allow us to do everything we need to do in terms of tax administration, while respecting the currency used by the company.

Mr. Jean-Yves Laforest: Do you have a timeframe in mind for implementing this system?

Mr. William Baker: I believe the timeframe was 2008-2009.

[*English*]

Mr. James Ralston: I believe it's for the next tax year of the corporation that it will be implemented.

[*Translation*]

Mr. Jean-Yves Laforest: So you're looking at the next fiscal year.

Mr. William Baker: We've just checked and it's slated to start in 2009 for returns...

Mr. Jean-Yves Laforest: So then, you're talking about this fiscal year.

I have no further questions, Mr. Chair.

The Chair: You still have some time left.

Mr. Robert Carrier: How much time?

The Chair: Two minutes.

Mr. Robert Carrier: I'll use it then.

Good day, gentlemen. Since you are here, I'd like to take the opportunity to ask you for some information about gratuity workers. We are receiving a number of complaints from workers in certain regions, in Abitibi, and apparently in Montreal. Some gratuity workers are seeing a unilateral percentage of their tips taxed by the Canada Revenue Agency, over and above the standards in place.

I'd like to know if you determine the percentage of tips that will be taxed on the basis of a sectoral study targeting all of the businesses in each city? Or, do you decide what percentage of tips will be taxed, according to the type of business?

Mr. William Baker: No. Some time ago we established a policy whereby a certain percentage of tip earnings would be taxed. It is almost impossible to calculate the amount for each taxpayer working in the restaurant industry. I'm not sure how long ago it was, but some time ago, we decided that in order to simplify the system, to cut down on monitoring workers, it would be easier to come up with a percentage. This policy applies to all gratuity workers in Canada.

• (1650)

Mr. Robert Carrier: Do you apply the same percentage for each type of business? For example, is there a specific percentage that applies to restaurant industry workers?

Mr. William Baker: I believe the policy applies only to the restaurant industry. I would need to verify that.

Mr. Robert Carrier: Some of the percentages that you want to apply to gratuity workers vary from 8 per cent to 30 per cent.

Mr. William Baker: That is in the case of restaurant workers.

We have tried to come up with a reasonable percentage. We are mindful that in some instances, the percentage may be lower, or higher.

Mr. Robert Carrier: Can you provide us with an explanation of the policy applied by the CRA?

Mr. William Baker: Of course, sir.

Mr. Robert Carrier: And you will provide that information to the committee clerk?

Mr. William Baker: Yes.

Mr. Robert Carrier: Thank you.

The Chair: Thank you.

[English]

We'll go to Mr. Menzies, please.

Mr. Ted Menzies: Thank you, Mr. Chair.

Thank you to our officials for appearing here today.

I have some perhaps very simplistic questions.

“Spending of revenues received through the conduct of its operations”—can you describe a bit what those operations are? Are they unique operations, or why weren't these in the original estimates?

Mr. James Ralston: The single biggest source of those revenues is the services we provide to the Canada Border Services Agency. We share a certain IT infrastructure, which we own and operate, and we charge them for that amount.

So they pay us. Effectively, we are just recovering our own expenses, and then our legislation gives us the right to re-utilize that funding.

That's one example; as I say, it's the biggest example. But there are others. They extend also to such things as the fees we would charge

for giving advance tax rulings. That's a much smaller amount in total magnitude, but the principle is the same.

Mr. Ted Menzies: Are these unexpected expenses?

Mr. James Ralston: No—

Mr. Ted Menzies: Is that why they're in the supplementary estimates?

Mr. James Ralston: It happens.... There was an earlier discussion around statutory items. The authority for this re-spending comes out of our statutes for the Canada Revenue Agency, so we need to put this disclosure in for information. That's why it is here.

Mr. Ted Menzies: The next item is the private collection agencies. Are we seeing an increase in the cost of recovering taxes?

Mr. James Ralston: This is actually a reduction. A few years ago we took over the responsibility for collection of Canada student loans from HRSDC. At the time, when they carried out that function, they made extensive use of private collection agencies. When we took over the responsibility, we found that we didn't need to resort to these to the same extent, because we were already a large collection agent.

During the government's strategic review process, we offered this as a reduction item, an efficiency item, and our proposal was accepted. So here we see the money coming out. This is money that was originally in the main estimates and it's now coming out to reflect our turning it back to the centre.

Mr. Ted Menzies: On the softwood lumber export charges, are they in line, or did tariff rates change much over the year? I've honestly forgotten what this amount was last year.

Mr. James Ralston: The amount in the supplementary estimates last year was \$437 million. So it's in the same ballpark this year. Essentially this is where the exporters pay the charge and then we disburse an amount, less our operating expenses, back to the provinces. So this just shows the amount of the payments, net of our expenses.

• (1655)

Mr. Ted Menzies: I'm surprised it's that close, considering that we're exporting less lumber. Maybe the tariff percentage has changed.

Anyway, my colleague, Mr. Kerr, has a question.

The Chair: Mr. Kerr, you have no less than three minutes.

Mr. Greg Kerr (West Nova, CPC): I'll have to rush.

Thank you, Mr. Chair.

I'm pleased to be replacing my colleague here, and I did come with a question, just out of curiosity.

I think the vice-chair gave me a bit of a segue by talking about whether the estimated cost of what you have available to look after the new savings program is going to be enough. From what I've heard, there's been a very successful start to the program. I would agree that if it's that successful, it is obviously going to cost a bit more to administer, and I assume that's what his question was leading to.

Can you give us some background on how the program is doing to date?

Mr. William Baker: This program, of course, is just starting this year. For the last little while and on an ongoing basis, people can of course open up these tax-free savings accounts with more and more financial institutions. The requirement for reporting back to the CRA doesn't occur until the end of this year, in time for the next filing season.

Obviously, we've had a lot of questions from taxpayers. It seems to have been, as you indicated, something that's attracted quite a bit of attention. We've equipped our inquiries officers at the 1-800 number to be able to answer questions. We have materials that are published, and on our website, to help answer the obvious questions, as well as some of the ones that are less obvious. That's part of what this is all about. We believe it will be sufficient because much of the cost, as my colleague alluded to, is related to the infrastructure.

Generally in the CRA, once we have good operating infrastructure, the actual transactions themselves are a fairly modest incremental cost. It's just a matter of making sure that we can track all of this and give people an annual statement telling them the status of their tax-free savings account, and the ins and outs.

We've never done this before and we'll see how it all plays out. We have no experience with something like a tax-free savings account. Obviously, we've had experience with RRSPs, but this is quite a different vehicle and we'll learn as we go along.

If it turns out that the demands on the program are greater than we anticipated, that's something we would discuss with colleagues in the Department of Finance and Treasury Board.

Mr. Greg Kerr: Okay, thank you.

The Chair: Thank you, Mr. Kerr.

We'll go to Mr. Julian, and you have seven minutes.

[*Translation*]

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you very much, Mr. Chair. I would also like to thank the witnesses. Unfortunately, I missed your presentation.

I'm very interested in the softwood lumber export charges provided for in the Supplementary Estimates. Payments to communities that depend on softwood lumber will be reduced by \$419 million.

How are the charges collected divided among the provinces? Do you have any figures that you can share with me?

[*English*]

Mr. James Ralston: No. I don't have that with me, but we can certainly get it.

[*Translation*]

Mr. William Baker: The only provinces affected are the ones that have ratified the agreement, and that includes British Columbia and a few others. However, we don't have the figures on how these charges are divided. If you wish, we could draw up a list for you showing the breakdown.

Mr. Peter Julian: I would be very interested in having that information. So then, you can't tell me how much revenue British Columbia, Quebec, Alberta or Ontario have lost. In the case of

Saskatchewan and Manitoba, it is very likely that the penalties were paid at the border.

Mr. William Baker: That's right.

[*English*]

Mr. James Ralston: We can find that. We don't have that information with us, but that information is available. On the amount of the revenues, the amount of the export charge, and the amount of the transfer payments, we could provide further detail. We just don't have it with us today.

[*Translation*]

Mr. Peter Julian: In terms of the Agency's records, how does this work? If all of the charges are paid by the company, by the community...People work hard to produce a quality product that crosses the border. Pursuant to the agreement in place, the Government of Canada imposes a penalty. This revenue is transferred directly to the Agency which, in turn, transfers it to the provinces.

• (1700)

[*English*]

Mr. James Ralston: Yes. Characterizing it as a penalty I'm not quite sure is appropriate.

Mr. Peter Julian: That's what I'd call it.

Mr. James Ralston: I believe it's called an export charge, and the revenue from the export charge is then shared.

Mr. Peter Julian: It is a simple double entry. The money comes in to the federal government agency and then it goes back to the province.

Mr. James Ralston: That's correct.

Mr. Peter Julian: Now, just so we're clear on that, that money cannot be used to provide any support at all to the communities from which the money has been taken, whether that's Comox or Prince George, because of the structure of the softwood lumber sellout. Some people would characterize it as such. Many of my constituents certainly do, because we lost three plants to the softwood sellout. Essentially, that money cannot be transferred by the provinces back to the communities. Is that not correct?

Mr. William Baker: I couldn't comment on that, sir. We're charged simply with administering the export charge and making sure we accurately collect the right amount and that it goes out to the provinces correctly as well. That's the extent of our involvement in this program.

Mr. Peter Julian: So the conditions of the softwood sellout, the imposition that the money can't be used to provide any support whatsoever to the softwood communities, is not something you administer.

Mr. William Baker: No. You're talking about a policy issue that would have gone into the genesis of the whole arrangement. Policy for that program rests with International Trade. We're charged with administering that portion of it.

Mr. Peter Julian: Yes. So the money comes in, and money goes back to the province, but the additional penalty that the money can't be used in any way to support the jobs that have been lost is not something you administer. I'm rephrasing what you said, but basically that's what you said.

Mr. William Baker: We essentially get paid to make sure that policy, as set by federal and provincial governments, happens the way it's expected to happen, and that's what we do.

Mr. Peter Julian: Yes. But you don't administer the back end, the additional penalty. Okay.

You gave us the figures for 2007-08. Could you give us the figures for 2006-07? There was \$437 million in penalties paid by softwood communities across the country in 2007-08.

Mr. James Ralston: I believe the first year was a partial year.

Mr. Peter Julian: Yes.

Mr. James Ralston: And I believe it was in the order of \$166 million.

Mr. Peter Julian: It was \$166 million. That's from October 12, 2006, which was a day, of course, that lives in infamy in softwood communities across the country. That's the first day the penalty was imposed on hardworking softwood workers and their communities, and from that date that would go to March 31, 2007.

Mr. James Ralston: That's right. I believe it was the first \$166,437,000, and now you have \$419 million. I believe those are the....

Mr. Peter Julian: Okay. And could you give us, then, the sum total of all the money that's been ripped out of softwood communities since October 12, 2006?

Mr. James Ralston: I believe the sum of those numbers I just quoted comes to about \$1.03 billion.

Mr. Peter Julian: It's over \$1 billion. Wow, a second billion-dollar penalty.

So the softwood community has coughed up a billion dollars, which was simply given away by the Conservative government. You're telling us that since that time—

Mr. Ted Menzies: Mr. Chair, is this even relevant?

Mr. Peter Julian: —they have had to cough up another billion dollars?

Mr. Ted Menzies: On a point of order, Mr. Chair.

Mr. Peter Julian: It's in order, Mr. Menzies, as you know.

Mr. Ted Menzies: This isn't even relevant. We have experts here who are going to talk about tax issues, about supplementary estimates, not about policies that actually have the support of this House.

The Chair: Mr. Menzies, as much as you or I may not like the tone of the questions, the supplementary estimates do include a reference to softwood lumber payments. I believe the questions are in order.

Mr. Julian, you have one minute left.

Mr. Peter Julian: Thank you, Mr. Chair. You are indeed correct. It is in order to find out that hardworking softwood communities have cumulatively paid over \$1.033 billion in penalties imposed by the Conservative government. That's the correct figure, if I've understood.

Mr. James Ralston: It's \$166 million, plus \$437 million, plus \$419 million.

•(1705)

Mr. Peter Julian: It's over \$1 billion.

During that same time we're talking about 15,000 jobs that have been lost. Essentially we're looking at about \$75,000. If you do that formula, for every \$75,000 of punitive payments—

The Chair: This is your final question.

Mr. Peter Julian: —that have been forced out of softwood communities, there is a lost job that results.

Would that be a correct calculation?

The Chair: Mr. Ralston.

Mr. James Ralston: Beyond telling you what we collected and what we paid out to the provinces, I'm afraid the other information you're asking for is beyond my ability to provide.

Mr. Peter Julian: But you will provide us with the provincial breakdown.

Mr. James Ralston: Absolutely.

The Chair: Thank you very much. We look forward to that information.

Thank you, Mr. Julian.

We'll go to Mr. McKay.

Hon. John McKay: In your supplements here you're talking about \$19.5 million for setting up your computer program to keep track of the tax-free savings accounts. Is that a one-time expenditure?

Mr. James Ralston: For a project like that it would be. Certainly the build cost of the system will be one time. There may be other additional costs, but certainly that large upfront—

Hon. John McKay: And how much does the advertising program cost?

Mr. James Ralston: It's \$6 million this year.

Hon. John McKay: It will cost \$6 million, so we're at \$25 million.

Are there other costs?

Mr. James Ralston: I'm sorry, I'm referring to the \$6 million in our budget. I think you may have been referring to an advertisement program that—

Hon. John McKay: I'm talking about Finance.

Mr. James Ralston: Unfortunately we can't comment on that one.

Hon. John McKay: You don't really know, but \$6 million sounds reasonable.

What are the other costs?

Mr. James Ralston: There will be costs around staff. There may be costs related to answering inquiries.

Hon. John McKay: Is it reasonable to think that \$30 million a year is what it's going to cost to administer this program?

Mr. James Ralston: We'll be in a better position next year to answer that when we talk about the amount that goes into the estimates for 2009-10.

Hon. John McKay: Would it be wild and crazy to say \$30 million seems to be in order?

Mr. James Ralston: I wouldn't want to speculate.

Hon. John McKay: Is that unreasonable?

Mr. William Baker: At this point, sir, the \$19.5 million is what we are expecting.

Hon. John McKay: What's the amount of the foregone revenue by the Government of Canada to fund this program?

Mr. William Baker: That question would have been a consideration when the tax policy was set and would best be directed to the Department of Finance.

Hon. John McKay: Are you telling me that Revenue Canada doesn't have a calculation for foregone revenue?

Mr. William Baker: The responsibility for determining tax expenditures and the impact resides with the Department of Finance.

Hon. John McKay: You're spending \$30 million and you, the Revenue Agency, have no idea how much the foregone revenue is.

Mr. William Baker: This particular program is new. The \$19.5 million, which is what's included in the supplementary estimates, will allow us to get ready to administer the program. In a year or so from now we'll be in a position to know what the take-up is.

Hon. John McKay: Every program in the government has a rough workup. They figure out how much it's going to cost, the foregone revenue, and things of that nature. I would have thought that you, as the head of the agency, would have been at least privy to the figures as to how much Revenue Canada will not see by virtue of this program.

Mr. William Baker: Again, what you're talking about is a matter of tax policy.

Hon. John McKay: With the declining interest rate—I don't know what other members get on their savings account. If I had one, I don't think I'd be getting too much—my guess is that it's about 1% or 2% return on your average savings account. That means you're going to need at least \$3 billion worth of investment in your first year just to get a rough equivalent to what you're spending on your program.

In terms of your projections, how much money do you think people are actually going to put into this?

Mr. William Baker: What we're setting up is the infrastructure to accept them. The Department of Finance may have some estimates in terms of what the take-up would be.

Hon. John McKay: It's a rather unsatisfactory position for you to be in, Mr. Baker, to not know how much it's going to cost, to not know how much the government is going to forego in revenue, and to not know how many Canadians are going to use the program.

Wouldn't you think that's rather unsatisfactory?

Mr. William Baker: I certainly could be accountable for the costs. In developing this estimate, we've taken on board the best assumptions that were available at the time. I don't have them all in front of me, obviously. What our traditional experiences are in administering—

Hon. John McKay: There are assumptions, and presumably people had some pretty serious conversations in the setting up and design of this program. I wonder if you could share with the committee whatever notes, conversations, memos—whatever—there

were in terms of your anticipated costs, your foregone revenue, the anticipated ongoing costs of the program. Surely those are all reasonable requests on the part of a committee.

Mr. William Baker: The part that we can accommodate would be the costs associated with administering the program. We could not comment, because we're not in a position to, on the foregone revenue.

• (1710)

Hon. John McKay: Do you have that stuff, and could you share it?

Mr. William Baker: In terms of the information that went into the determination of the \$19.5 million, that we may be able to provide to the committee, but I'll have to verify what the operating assumptions were.

Hon. John McKay: Chump change.

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

Any information you have on this, Mr. Baker, we'd appreciate. Thank you.

We'll go now to Mr. Hawn.

Mr. Laurie Hawn (Edmonton Centre, CPC): Thank you, Mr. Chair, and thank you, gentlemen, for being here.

I'd like to talk about the Canada student loans collection program a little bit, not to challenge what's happening, but basically for edification on my part, and perhaps the committee's part. That process of changing over from using private collection agencies to CRA is still in transition, is that correct?

Mr. William Baker: That's correct.

Mr. Laurie Hawn: My understanding is there are about 10 private agencies out there that had previously taken part of...you know, the part that CRA couldn't collect was turned over to them and they collected some percentage of that. Is that correct?

Mr. William Baker: I'll have to verify, sir, the exact number of agencies. There were certainly several agencies involved, yes.

Mr. Laurie Hawn: That was their job, that whatever CRA, for whatever reason, got tired of chasing or couldn't collect would be turned over to those agencies and they would process or prosecute those on behalf of CRA?

Mr. William Baker: The use of private collection agencies goes back to the time when HRSDC administered...well, they still do have overall policy responsibility for the student loan program. What has been transferred to us is the collection responsibility.

When it was originally transferred we adopted the operating practice of HRSDC, which was a combination of our own collection activities plus the use of private collection agencies. We determined, as Mr. Ralston explained, that we can do this for less cost to government by using our own infrastructure of collection officers.

Mr. Laurie Hawn: Do you have a dollar figure that this would save overall—just a rough order of magnitude?

Mr. William Baker: Go ahead.

Mr. James Ralston: In the budget of 2008, there was a table presented of the expected strategic review savings, and we projected \$6 million in 2008-09, \$13 million in 2009-10, and \$20.4 million in 2010-11.

Mr. Laurie Hawn: With CRA doing the collecting, do you have any idea how much CRA was able to collect before, a percentage of delinquent loans? Was it 80%, 85%? How much was turned over previously to the private collection agencies? Do you have any idea?

Mr. James Ralston: We would have to come back to you on that.

Mr. Laurie Hawn: All right.

Is it CRA's intention or expectation to be able to collect on 100% of the loans outstanding?

Mr. William Baker: If I may, whether it's student loans or tax debt, or whatever, we seek to recover as much as we can. There are situations—bankruptcies, deaths obviously, or people leaving the country—so no, we can never achieve 100%, but we try our best. Certainly, because of the nature of the tax system, if someone, for instance, has subsequent income tax refunds coming to them, we have an offset procedure that allows us to recover over time.

Mr. Laurie Hawn: Is there any room in the transition program for some flexibility? As you said, nobody can collect 100% of bad debts, and I'm talking about Canada student loans particularly. Is there some room in there to turn over the portion, as you have in the past, that CRA can't collect to some number of these agencies for them to try, because they perhaps have some different methods and so on?

Mr. William Baker: Well, that certainly wasn't the government decision in having us take over the collection of outstanding student debts. In honesty, once the CRA has exhausted all of the tools we have at our disposal to collect an outstanding debt, I'm skeptical whether any private company would be able to pick up any more of that.

• (1715)

Mr. Laurie Hawn: So what extra tools do you have today that you didn't have a couple of years ago? Up until this coming July, you would have been turning over some portion of those loans to private agencies. What tools do you have now to give you that confidence?

Mr. William Baker: Basically, it's using the tools we've always had for income tax, GST, and other debts and applying them to student loans. We have a fairly, I think, sophisticated collections machinery, as you can imagine. I believe what we have in place is more than sufficient to address that.

Mr. Laurie Hawn: Are you hiring more folks? Are you creating jobs within CRA to handle that?

Mr. James Ralston: Yes, actually. Associated with the savings there was some reinvestment in the program to enhance our collections program.

Mr. Laurie Hawn: Thank you.

The Chair: You can ask one final question, if you have one.

Mr. Laurie Hawn: No, that's fine.

The Chair: Thank you, Mr. Hawn.

We'll go to Ms. Hall Findlay, please.

Ms. Martha Hall Findlay: Thank you, Mr. Chair.

I have just one very quick question—well, two actually.

First, with regard to the \$19.5 million for implementation and administration, do you have a sense—and I know my colleague asked this before, but I'm just a bit simpler—of what portion is the yearly administration piece? I'm just trying to get a sense of implementation versus administration.

Mr. James Ralston: The response would be that for the 2009-10 year we would need to come back. To the extent that there's an additional administration charge that we can't handle within our budget, we'd have to come back for supplementary estimates at that time. We're not prepared yet to indicate what that amount would be.

Ms. Martha Hall Findlay: Okay, that's fair. I just wanted to clarify it.

I have a last quick question. In order to do this, you must have had some forecasts of the number of taxpayers you expect to actually take advantage of this. Do you have a number?

Mr. William Baker: I don't know if we have a number with us.... No, we don't.

Obviously, for us to arrive at the figure, we would work very closely with the Department of Finance, and there'd be some operating assumptions that would go into this. But again, the figures are a little soft; it's a brand-new tax measure. Also, we're in an interesting economic time right now. We'll have to see, when we get through the year, just what the take-up on the program was.

Ms. Martha Hall Findlay: Okay.

Mr. William Baker: There would have been a certain assumption that allowed us to construct an estimate of administrative costs.

Ms. Martha Hall Findlay: Right, but even if you could provide an estimate or even a range of the number of taxpayers expected to take this up, it would be very helpful.

Mr. William Baker: We'd be pleased to do that.

Ms. Martha Hall Findlay: Terrific.

Thank you.

Hon. John McKay: I'm just going to finish it off, Mr. Chair.

The Chair: Okay, Mr. McKay, you have three minutes, then.

Hon. John McKay: Thank you, Madam Hall Findlay.

Ms. Martha Hall Findlay: You're welcome.

Hon. John McKay: That's very generous of you.

We continue to receive correspondence with respect to people who are in the unfortunate position of having been paid in stock options, being taxed with their stock options, and now finding that their stock options are worthless. Nortel is a classic example, but there are many others.

From time to time, various members on both sides of the House have worked on administrative fixes. What can you tell us about the state of these administrative fixes? What are you doing to anticipate what will essentially be a huge rush on these problems going forward, as people's portfolios and stock options just melt in front of their very eyes?

Mr. William Baker: Once again, sir, this will be a consideration of the Department of Finance in setting tax policy going forward. That question would best be directed to them.

Hon. John McKay: This is kind of amusing: when you talk to Finance, they say the administrative fix is with the Canada Revenue Agency, and then the Canada Revenue Agency says, no, it's policy. Meanwhile taxpayers are caught in the centre, watching this tennis match between Finance and CRA. So it's not a very satisfactory response to say that we have to go and talk to the Finance boys and girls.

I take it, then, that really your answer is, "We don't know; we're not responsible."

Mr. William Baker: Canada Revenue Agency is responsible for administering the tax policy that is set by the government, and ultimately Parliament, both federally and provincially. We take the policy as it's defined and administer it to the best of our abilities.

• (1720)

Hon. John McKay: Thank you.

The Chair: Thank you, Mr. McKay.

We'll go to Mr. Menzies, please.

Mr. Ted Menzies: Thank you again, Mr. Chair.

The wage earner protection program is seeking appropriations of \$316,000. My question is based on the fact that we've recognized that there are going to be some serious concerns going forward with corporate bankruptcies and wage earners not being protected, so in this budget we've allocated \$50 million to that program to protect those individuals. What kind of impact is that going to have? What are we going to see as numbers next year? Is \$50 million enough, in your view, considering past history?

Mr. James Ralston: First of all, the program is under the responsibility of the Minister of Labour, and it's going to be administered primarily by Service Canada. We have a relatively small role to play, which is simply to try to recover amounts paid from the bankrupt estates or, if an overpayment is made to an employee, to recover that. There are really only those two, what I would characterize as very specific elements of the much larger program. I sense that your question was more about the bigger program, and I think it would have to be directed towards the Minister of Labour or Service Canada.

Mr. Ted Menzies: Is your role simply a tax implication role, then, regarding those wages that are sought?

Mr. James Ralston: I think they're capitalizing on our ability as a collection agency again—

Mr. Ted Menzies: Okay.

Mr. James Ralston: —in dealing with bankruptcies and putting forward the crown's claim on the bankrupt party and that sort of thing. I think that's why we were chosen for this role.

Mr. Ted Menzies: Okay, good.

Mr. Laurie Hawn: Does he have some time left, Mr. Chair?

The Chair: He has about two and a half minutes left.

Mr. Laurie Hawn: I have one short question. Sorry—I meant to ask it before. It's on Canada student loans and consultation. I don't know whether you can answer the question or not.

With the industry that was out there and with whatever number of agencies you had, was there consultation with them when this process started? Obviously that was going to have some impact on their business. If so, how was that carried out, and how extensive was it? I don't know if you can answer that or not.

Mr. William Baker: Obviously the proposal was developed in the context of the strategic review, which is a budget-setting exercise, which naturally has to occur with a degree of confidence around it. Certainly industry concerns would have been a consideration in making the ultimate decision.

Mr. Laurie Hawn: Was industry spoken to? Were they consulted as part of that process?

Mr. William Baker: As part of due process in developing a budget proposal, budget secrecy would have applied in that particular case. I can tell you that since the announcement, some companies have expressed interest. As you mentioned earlier, there were several involved. For some this was such a small part of their business that they kind of accepted it at face value.

Mr. Laurie Hawn: Okay, thank you.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Hawn.

I'm going to take part of the next Conservative spot to ask one question.

Advertising was raised by a number of members here in both this panel and the previous panel. One of the issues that we may study as part of a future study under Monsieur Laforest's motion is the issue of fiscal literacy or how you educate Canadians. In the previous panel they made the reference that the Privy Council Office is primarily responsible for determining what the government advertises on. Does CRA come forward with recommendations and say that on these certain issues we ought to do a public information campaign, whether it's net filing or some other issue? How does your department decide to recommend what you should be doing a public information campaign on?

Mr. William Baker: In a typical year, as CRA, we would identify some needs for communication to the public, and we would be in a position to put forward some proposals. At the same time the government would want to make sure that certain of its policy initiatives were advertised. As you alluded to, that whole process is managed by the Privy Council Office to ultimately determine what to advertise and for which amounts.

But, yes, there is scope if we want to put forward a proposal. For instance, the CRA has long been a strong advocate of electronic filing. For both Canadians and Canadian businesses, it's cheaper, there are fewer mistakes, and we can issue the cheques faster. That's something in which we have an interest in making sure Canadians understand, in fulfilment of our mandate. That tends to be an annual feature of the advertising campaign now.

•(1725)

The Chair: I have just one follow-up to that, because certainly when we deal with constituents with tax problems, one of the things they'll often say is that they didn't know that's what the law actually said. But as you well know, ignorance of the law is no excuse for not obeying the law.

If there's some part of Revenue Canada that is not being understood or if there is clearly some misunderstanding by the public, does CRA then make an effort to rectify that?

Mr. William Baker: A core part of our mandate is to make sure that people understand the law. It isn't just with respect to the amount of tax they pay. We administer many benefit programs, such as the child care benefit, the child tax benefit, and all of the credits, and we want to make sure people are aware of those as well so they can benefit.

The Chair: Thank you.

I have a request for one question from Mr. Julian, which I'm going to grant if he asks a nice question and then—

Mr. Peter Julian: What's a nice question, Mr. Chair?

Mr. Ted Menzies: I bet it's for me.

Some hon. members: Oh, oh!

The Chair: Mr. Julian, you have about a minute. We do have to finish by 4:30 because that's what the NDP mandated at our first meeting.

Mr. Peter Julian: Thank you, Mr. Chair.

I don't know if this is a nice question, but it's not on softwood lumber, although softwood workers, obviously, given how many of them have lost their jobs, would be impacted by this.

It's about the wage earner protection program. The supplementary estimates have \$300,000 set aside. Is that the entire amount that's been set aside?

Mr. James Ralston: For 2008-09, yes, for that fiscal year. That's the cost we anticipate for that fiscal year for those specific duties that I mentioned earlier.

Mr. Peter Julian: What is the amount that would have been set aside in a previous fiscal year? Was there none or—

Mr. James Ralston: I believe this is the first year for this.

Mr. Peter Julian: Okay. Do you have any sense of how that \$300,000 might be divided or how that was calculated?

Mr. Filipe Dinis (Director General, Resource Management Directorate, Finance and Administration Branch, Canada Revenue Agency): The amount in question is based on an estimation of 10,000 claimants for this particular initiative.

Mr. Peter Julian: Thank you.

The Chair: Thank you, Mr. Julian.

Mr. Menzies, you asked for an opportunity to say something at the end of the meeting.

Mr. Ted Menzies: Yes, just for a moment, if I may.

We've talked amongst the committee members. Considering how urgent it is that we get this Budget Implementation Act through the

House and through all the processes of debate, we're certainly hoping that we will be able to see that bill clear the House this week.

Because next week is a week in our constituencies, I would like to make a suggestion. I think I have the support of most of the members of this committee to seek, if we have your approval, Mr. Chair, to have meetings on Monday morning, February 23, on Monday afternoon, February 23, and perhaps even in the evening of February 23 if we need that. We would hope to have the minister here on the afternoon of February 23, and then on Tuesday, at our regular committee meeting, proceed to clause-by-clause to expedite this.

Because we have a two-week constituency break in April, it is very critical that we get this through as quickly as we can. I think we have pretty much all-party support to move this forward, not to obstruct due debate, but to speed up the debate process so we can get this through.

The Chair: Thank you, Mr. Menzies.

Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest: Mr. Chair, earlier you discussed with Mr. Menzies the importance of moving forward quickly. We don't disagree with you. However, after discussing matters with my party's officials, there is no question of delaying the process. We do believe, though, that it is very important to hold an additional meeting to hear from witnesses. We're already hearing from people who want to testify and it's very important that we be able to hear what they have to say. I think we'd like to postpone things for one meeting. As I said, it's not that we want to delay the process. We simply want to make room for witnesses. There is a difference between moving quickly, and moving too quickly. If we do not give them an opportunity to testify before the committee, I think we would be acting in an undemocratic manner in some respects. We still need to give people an opportunity to testify, even when we are fast-tracking a process.

•(1730)

[*English*]

The Chair: Thank you. I have Mr. Julian, please.

[*Translation*]

Mr. Peter Julian: Thank you, Mr. Chair.

I'd like to follow up on what Mr. Laforest was saying. It is important for the committee to hear from witnesses. Obviously, I cannot speak for our critic who isn't here right now, but I still want to ask some questions, Mr. Chair.

As a rule, notice must be given before a committee can meet. No such notice was given to us. If I understand correctly, Mr. Menzies did not give 48 hours' notice. Giving notice is standard procedure. When a matter such as this is raised and staff is not in the room to decide on a date and time, it's much more difficult. Tabling a motion in advance is simply a matter of courtesy so that members can examine it and come to a decision.

[*English*]

Mr. Massimo Pacetti: A point of order, Mr. Chairman.

The Chair: Mr. Pacetti.

Mr. Massimo Pacetti: Just out of respect for witnesses, you can ask the witnesses to leave, I think.

The Chair: Thank you for that point of order. I thought this was going to be a short session, but thank you very much for being with us here today. We certainly appreciate your time, and if you have any further information you'd like to submit to the committee, please do so through the clerk. Thank you very much. We look forward to seeing you again.

Mr. Peter Julian: Thank you. Merci beaucoup.

[*Translation*]

Was a motion circulated to the committee in advance of the meeting?

[*English*]

The Chair: Perhaps I can clarify. My understanding is that as the chair I have authority to allocate meetings or to provide and schedule additional meetings. My understanding is that Mr. Menzies is providing a heads-up. He's not putting forward a motion. He's not saying he wants a vote on this. I think what he's trying to do is to be forthright and say this is what he's hoping, that if the bill passes the House this week, that's what will happen.

We do have a motion before the committee to make Bill C-10 a priority, once and if it passes the House of Commons. That will be the first item. We're also starting a pre-study of that bill on Thursday, on the item of infrastructure, as suggested by Mr. McCallum.

So this is not a motion. As I understand it—Mr. Menzies can clarify—it's simply a heads-up to the other parties indicating how this committee would like to proceed if the bill passes second reading this week. Does that clarify matters?

Mr. Peter Julian: It does, Mr. Chair. So that would mean that this motion would come up on Thursday or—

The Chair: There's no motion.

Mr. Peter Julian: —that there would be discussion on Thursday.

The Chair: It's not a motion.

Mr. Ted Menzies: Mr. Chair, with all due respect to Mr. Julian, we agreed to expedite this at a previous committee meeting. We all agreed to schedule extra meetings in if we needed to sit longer hours. So we all were aware of that, and the chair is correct that it is at his discretion. I'm just trying to alert everyone.

Mr. Massimo Pacetti: The minister is confirmed?

Mr. Ted Menzies: Monday afternoon, yes.

The Chair: This is assuming the bill passes this week.

Mr. Ted Menzies: Well, I—

Hon. John McKay: And if it doesn't pass, we've already agreed to do a pre-study.

Mr. Ted Menzies: —think this is very good use of our time.

To Mr. Laforest's suggestion to make sure that we get as many witnesses in and to your comment, I would suggest we meet Monday evening too, if we have to.

● (1735)

The Chair: I can just re-emphasize what I said this morning and at the last meeting. If you have suggested witnesses on the Budget Implementation Act—I know Mr. McCallum has submitted some and Mr. Menzies has submitted some—submit those to the clerk as soon as possible.

Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest: If no motion is tabled, then who decides, Mr. Chair, on how the committee will proceed? Mr. Menzies said that the committee had agreed to fast-track the process. We have no problem with agreeing to fast-track matters, when it comes to a decision to hold additional meetings on Mondays. However, I don't understand the rush here. There is a difference between moving quickly and moving very quickly.

As early as next Monday and Tuesday, we will begin hearing from witnesses. Why not set aside the entire week after the break to hear from witnesses. We can hear from the minister on Monday afternoon, but why not block off our regular Tuesday and Thursday meetings for witness testimony. Setting aside two regular committee meetings to hear from witnesses should not be construed as delaying the process unnecessarily.

[*English*]

The Chair: The guidance given to the chair is that the Budget Implementation Act, should it pass in the House, should be given priority in this committee. That's certainly what I'll be following. I'll certainly be following members' guidance with respect to any witnesses they would like to bring before the committee. On members debating quickly, or too quickly, I don't want to get into a debate on the nuance of what those two phrases mean.

My sense is that if the budget would pass this week and the committee sits the week we come back, if it is the will of the committee, then we would add additional meetings. I understand you're in accordance with that as long as we hear from as many witnesses as are brought forward. That would be the will, but, frankly, I don't want to get into the committee micromanaging what the schedule will be. I think what Mr. Menzies was doing here was just providing information and trying to be forward with the committee as to what they were hoping to do.

I would remind members that all it takes is four members to write the chair to request a meeting, and, looking around the table, I suspect there are enough members to request that meeting.

I don't know if that answers the question, but I hope it provides some information.

Mr. Julian.

Mr. Peter Julian: Mr. Chair, the committee meetings regularly scheduled are for Thursday?

The Chair: It's Tuesday and Thursday.

Mr. Peter Julian: Yes. So on Thursday I think the committee will have a better sense of whether or not the bill is passing this week, and Mr. Mulcair will be here. I think the discussion is better held on Thursday than right now.

Mr. Ted Menzies: We've decided it's going ahead, but thanks for your information, Peter.

The Chair: Do members really want to make a point, or do we want to finish the discussion here?

Mr. Wallace.

Mr. Mike Wallace: Mr. Chair, my point is on what you've done today. We had made a commitment that we wanted to do estimates, but we couldn't get the people here. You picked a different day and

time and informed us, as committee members, of the new time to deal with estimates. We're here and we did the job.

All you're doing now is informing us that this committee has asked you for more time to deal with the budget in an expeditious way. You're providing more time for that on Monday. It's not really up for discussion, as far as I know.

The Chair: Thank you. The meeting is adjourned.

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