



House of Commons  
CANADA

## Standing Committee on Finance

---

FINA • NUMBER 003 • 3rd SESSION • 40th PARLIAMENT

---

EVIDENCE

**Thursday, March 18, 2010**

—  
**Chair**

**Mr. James Rajotte**



## Standing Committee on Finance

Thursday, March 18, 2010

• (1530)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** I call to order meeting number three of the Standing Committee on Finance. The orders today, pursuant to Standing Order 81(5), are study of the supplementary estimates (C), 2009-10, vote 1c under the Canada Revenue Agency, referred to the committee on Wednesday, March 3, 2010.

Colleagues, we have two witnesses with us here today from the Canada Revenue Agency.

First of all, we have Mr. Stephen O'Connor, chief financial officer and assistant commissioner for the finance and administration branch. We also have Mr. Filipe Dinis, deputy assistant commissioner, finance and administration branch.

Welcome to both of you.

Mr. O'Connor, I understand you have a brief opening statement. Then we'll have questions from members.

Please begin.

**Mr. Stephen O'Connor (Chief Financial Officer and Assistant Commissioner, Finance and Administration Branch, Canada Revenue Agency):** Thank you very much, Mr. Chair—and yes, it is a very brief opening statement.

Basically, Mr. Chair, as you're aware, the Canada Revenue Agency is responsible for the administration of federal and certain provincial and territorial tax programs, as well as the delivery of a number of benefit payment programs. In support of this mandate, the agency is seeking the approval of two related adjustments in its spending authorities through these supplementary estimates. Taken together, these adjustments will result in a net increase of \$6.3 million in the revenue agency's total 2009-10 spending authorities.

The first adjustment is for the funding of \$10.1 million received under FIS1, the financial interoperability and stewardship initiative, which is a Treasury Board Secretariat-led initiative to assist departments in completing IT projects earlier and to better link financial data and systems, thereby improving the integrity of financial information in the Government of Canada. CRA is among the six departments benefiting from the FIS1 initiative.

The Canada Revenue Agency and the Canada Border Services Agency share a common corporate administrative system, which is maintained and managed by the Canada Revenue Agency. An upgrade of the corporate administration system and subsequent releases funded from the FIS1 initiative will improve business-

critical planning systems to enhance strategic performance in the management of both financial and human resources. The upcoming releases include a "multiple spending authorities" initiative as well as other financial management human resource improvements in the areas of e-recruitment and compensation.

The second adjustment represents a decrease of \$3.8 million, which will be transferred to the Canada Border Services Agency, representing its share of the funding for this initiative, in accordance with the agreement between the two organizations.

With the inclusion of these items, the Canada Revenue Agency's authorities will amount to \$4.7 billion.

At this time, we would be prepared and happy to respond to any questions from the committee.

**The Chair:** Thank you for your opening statement.

We'll begin questions from members with Ms. Hall Findlay, please.

**Ms. Martha Hall Findlay (Willowdale, Lib.):** Thank you, Mr. Chair.

Thank you very much, gentlemen.

I have just a couple of questions. Obviously, there's not a whole lot here to work with, but there are a couple of items on which I'd ask you to elaborate a little.

We have the number for professional and special services and the number for acquisition of machinery and equipment. Can you elaborate a little bit on the breakdown of those? It would be very helpful.

**Mr. Stephen O'Connor:** Certainly.

Let me start with the professional and special services. When the Treasury Board put forward this initiative, they recognized that the nature of the work was short term in nature. The result was they expected that most of the department would be having to not only use their existing employees but also bring in contracted individuals, contract IT specialists.

The nature of our program in particular, which is the corporate administration system, is that it is an SAP-based administrative system, and so from time to time we have to rely on SAP experts who come in to fine-tune and adjust our systems. The professional special services amount is related to those contractors who have come in.

The second item, while it's coded as machinery and equipment... In some sense, I guess that reflects old thinking, because what it is really is software—the purchase of software, the building of software. It's not, as you may have expected, the acquisition of major pieces of IT gear or equipment.

That's what those two items are.

• (1535)

**Ms. Martha Hall Findlay:** Thank you.

Having lived through an SAP environment many years ago, that part I can understand, although the numbers are awfully big. Are you saying that all of that professional services item is IT, the full amount?

**Mr. Stephen O'Connor:** That's correct, yes.

**Ms. Martha Hall Findlay:** Can you elaborate on software? Is it different from what other departments have done? What kind of software was it?

**Mr. Stephen O'Connor:** There is a group of departments that have the SAP system as their financial system, but I believe there are only about four federal organizations that have SAP for both their financial systems and their human resources systems.

What's happened with us—it was intentional—is that we have now a very integrated system, because under that SAP platform we have our financials, our human resources, our procurement, real property, all of that in an integrated manner. So as I say, it does put us, in a sense, as being a little unique from a large number of the departments, and it results in the fact that in a lot of cases, because we've been at it a little bit longer, we're a bit of a pathfinder in terms of improvements of this nature.

**Ms. Martha Hall Findlay:** Are we going to have two rounds, Mr. Chair?

**The Chair:** Yes, absolutely.

**Ms. Martha Hall Findlay:** And do I have a bit more time?

**The Chair:** You have about four and a half minutes.

**Ms. Martha Hall Findlay:** That's lots more time than I probably need.

Just as an elaboration on both the professional services as well as the software, were those normal course or were those related to any particular...like the home renovation tax credit implementation? Was there any particular aspect that required those increases that otherwise might have been attributable to those particular programs?

**Mr. Stephen O'Connor:** No, what you're seeing today has nothing to do with the program side. It's all back office functions. It's basically working on improving our financial systems and working on improving our human resources systems. Consequently, it has nothing to do with any of our program initiatives other than providing the basic underlying support that allows those managers to do their management duties.

**Ms. Martha Hall Findlay:** Okay.

Thank you.

**The Chair:** Mr. Simms, you have three and a half minutes.

**Mr. Scott Simms (Bonavista—Gander—Grand Falls—Wind-  
sor, Lib.):** I'll go very quickly, then.

I notice there's a substantial increase—we're looking at 233%—in P3 investments, the P3 fund itself. We're going from \$72.8 million to \$242.5 million.

What constitutes an increase of that size, and how many P3 initiatives are we speaking of here?

**Mr. Stephen O'Connor:** I'm afraid I can't answer that, sir. That's a Department of Finance supplementary estimate.

**Mr. Scott Simms:** All right.

Well, apparently my time is running more short than I thought.

That's fine.

**The Chair:** Thank you, Mr. Simms.

*Monsieur Carrier, s'il vous plaît.*

[Translation]

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

Good afternoon, Mr. O'Connor and Mr. Dinis.

I would like to take advantage of your presence here today to remind you that we talk about your agency a lot in our constituency offices. In fact, a number of constituents, entrepreneurs and investors have had dealings with the Canada Revenue Agency. I wanted to talk to you about the issue of fairness in tax collection. You must certainly be dealing with this since it is you who enforce various government laws.

Please refer to page 388 of the budget in the section on employee stock options. Surely, you must be aware of the situation of people who get an exemption for half of their profit when they buy and resell stock options. In the media this week, we saw the example of bank presidents, in particular Mr. Edmund Clark, President of TD Bank, who made \$25.5 million, half of which is tax free. Surely, you are familiar with all that. These examples make us see tax collection in a negative light and show that many people can bend the law when it comes to their own income.

On page 388, a table shows the total amounts of stock option deductions. They amount to \$4 billion. In the budget, they took the trouble to say this:

Given the considerable tax benefits provided by the stock option deduction, particularly to high-income individuals, it is important to ensure that it is used in a manner consistent with its intended policy objectives.

Given that you are senior officials at the Canada Revenue Agency, could you tell me what that section implies? Are you closely monitoring how these privileges are applied? And since you are certainly being asked to reflect on the matter, would you not recommend possibly reducing or eliminating these tax deductions as part of a government policy?

• (1540)

**Mr. Filipe Dinis (Deputy Assistant Commissioner, Finance and Administration Branch, Canada Revenue Agency):** Mr. Chair, unfortunately, we are not in the best position to answer that question. We both focus heavily on the financial aspect. As you know, we are here to talk about the supplementary estimates (C). It would be better to ask someone who deals with policy.

**Mr. Robert Carrier:** Do you not think that, by changing these tax deductions, you would not have to come here and ask us for additional millions to do your job? You could have foreseen this possibility in order to avoid asking for additional funds when we are going through a difficult economic period.

**Mr. Filipe Dinis:** Mr. Chair, we are currently studying the amounts of investment needed to implement the budget measures that have been announced. As a result, we do not really have any figures, but we are going to continue working on this question and come back to you with the figures.

**Mr. Robert Carrier:** I will quickly address the issue of cigarette smuggling in the country.

I regularly receive the media review from your department, the Canada Revenue Agency, and I read about the seizures that are made. According to my information, it looks like 40% of all cigarettes come from smuggling. Could you tell me how much revenue is lost because of these illegal cigarettes on the market and what action are you asking the government to take to rectify the situation?

**Mr. Filipe Dinis:** Once again, unfortunately, we do not have that data with us today. We can certainly request the information from our program experts and send it to the committee.

**Mr. Robert Carrier:** Could that be provided to the committee afterwards, rather than having to appear again?

[English]

**The Chair:** Absolutely; as a committee we can certainly make that request.

[Translation]

Thank you.

You have 30 seconds.

**Mr. Robert Carrier:** No, that is fine.

[English]

**The Chair:** *Merci, monsieur Carrier.*

Mr. Wallace, please.

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

For my colleagues, this is a meeting on the supplementary estimates (C) for CRA. We have in the past had the CRA here for a meeting on CRA policy and their operations, all of that. A good suggestion would be to have them back at a specific meeting to talk about policy issues and things along those lines. Monsieur Carrier's questions would be very appropriate at that point.

There isn't much here. You're asking for the \$10 million and the deduction of the \$3 million.

But I have another question for you. I'm going to question you from your actual presentation. It's a question based on why you want this money.

One of the issues Canada is facing concerns productivity. We spend \$4.6 billion a year collecting taxes—that's what CRA does—and I want to know whether, in your view, these activities that we're spending money on are improving the productivity of CRA employees.

• (1545)

**Mr. Stephen O'Connor:** The short answer is yes. That's a predictable answer, I appreciate, but I sincerely believe it is the case.

We're talking, as I said earlier, about a back office function. This fact notwithstanding, these back office functions are required to do the direct program delivery. One of the things we've observed is that it's taking a considerable amount of time to process some of our transactions, particularly now.... I know we're not talking about them today, but for the first time in the main estimates we've moved to a capital vote as well as just a single operating vote. This is presenting another set of tracking and recording issues for us.

What you're looking at today, the improvements we're going to be making through this, will certainly allow us to automate that whole process. We're going to be able to automate the whole process of funds approvals. I wouldn't want to say that this is generating a one-and-a-half per cent productivity improvement or anything of that ilk, but it is the essence of what this is here for: better stewardship and a more productive, efficient delivery of our administrative services.

**Mr. Mike Wallace:** Okay.

I have another financial question for you. I'm also on the industry committee, and I have a number of questions about.... Industry wasn't too bad, but pages 71 to 84 in this book, I think, show transfers from one department or organization to another, as in, well, we're not using the money over here, so we're going to use it over there.

My first question is whether CRA is entitled to those similar.... Because you're a sort of third party, in a sense, are you treated the same, from an accounting point of view? If there's a program that's government-wide, and somebody....

I'll use a wild example: contaminated sites. There are contaminated sites in natural resources, in corrections, in all kinds of departments. They seem to be able to transfer the money at the end of the year based on how much they're going to get done.

Are you entitled to that same sort of approach, or are you treated separately because you're CRA?

**Mr. Stephen O'Connor:** We are both entitled and obliged on those approaches. Sometimes we're winners and sometimes we're losers from those approaches. That is to say, we are occasionally the transferor and sometimes the transferee.

This particular case, as you've noted, was a Treasury Board initiative in the financial world, and we were entitled to make a request for some of those funds. In this case, the Treasury Board agreed that our business case was worth investing some money in.

**Mr. Mike Wallace:** This leads me to my next question. I'm interested in the actual transfer decision. I'll use the contaminated site one for an example. There are seven departments involved. Some are gaining and some are losing.

Who actually makes the request, and who makes the decision that they're not spending the money this year and will send it over to CRA? How does that actually work?

**Mr. Stephen O'Connor:** In the majority of cases, it's a group decision, a coordinated decision, a consensual decision. That certainly describes the relationship between us and CBSA, which is a little unique. Another example on the other side was either in supplementary estimates (B) or supplementary estimates (A) of this year; we provided a small amount of money, \$100,000, to the Treasury Board Secretariat because they wanted to run a horizontal national managers' community program—

**Mr. Mike Wallace:** That's right; there was some transfer from Industry on that.

**Mr. Stephen O'Connor:** —and we had to transfer money over to the Treasury Board for that. That was a little...no doubt, when you get that call from Treasury Board, you can feel the hand on your arm, twisting it a little bit.

• (1550)

**Mr. Mike Wallace:** Can you say no?

**Mr. Stephen O'Connor:** We could say no, and we have said no in some cases. If we feel we have value....

For example, in the example I mentioned, our managers are going to be participating in those fora as well, so there's value for us. Because of our board of management structure in particular, we have to ensure that as we're contributing money to another department, there's value back to the Canada Revenue Agency.

**Mr. Mike Wallace:** Right.

With reference to budgets, I'm assuming, because of the way budgets have operated over the last number of years in terms of changes, that this affects the size of your supplementary estimates (A) and supplementary estimates (B) considerably. Would you agree?

**Mr. Stephen O'Connor:** That's correct, yes.

**Mr. Mike Wallace:** I'm sure you haven't thought about it, but in theory, if budgets implemented in March were introduced in the fall, would that help in terms of reducing the amounts of supplementary estimates (A) and supplementary estimates (B)?

**Mr. Stephen O'Connor:** That's probably not early enough, because in October the main estimates start locking in, so you'd have to have the budget in, unfortunately, much....

Take the budget that just came down on March 4. We're now working up what we see as the cost of implementing that budget. We'd be expecting to see a Treasury Board submission in May or June, so you can see that from budget day to when we know what the hard numbers are is at least two or three months.

**Mr. Mike Wallace:** Thank you very much.

**The Chair:** Thank you, Mr. Wallace.

*Monsieur Mulcair, s'il vous plaît.*

[Translation]

**Mr. Thomas Mulcair (Outremont, NDP):** Thank you, Mr. Chair. Mr. O'Connor, Mr. Dinis, welcome. I want to start off with a point raised by my colleague, Mr. Wallace. He said:

[English]

“There isn't much here.”

[Translation]

In French you would say “y'a rien là”. It's only \$10 million. I would venture to say that when one considers \$10 million to be of no consequence, that's how \$50 billion deficits accumulate.

Let me take a slightly different approach. In short, you are talking about a net increase of \$6.3 million. You are taking \$10 million from the Treasury to complete IT projects. You are obliged to allocate \$4 million in total. We're talking about \$6 million net out of a budget of \$4.6 billion. That means that you have \$4,659,000,000. Let's take that amount and treat it like actual dollars, so that people can understand us.

Take, for example, someone who has a budget of \$4,659. He needs to come up with \$6. How is it impossible for you to come up with an additional \$6 million, when you have a \$4.6 billion budget? Has the Public Service come to this? Mr. O'Connor, did I not hear you say that it bothered you when you were asked to provide \$100,000 from the Treasury?

I worked for many years in government. I headed up a government agency. I served for six years as president of the Office des professions du Québec, and as minister for several years. Based on my experience, there is always a way to get money from inside sources. It intrigues me that this approach, that is always requesting more money, is considered normal. Granted, as Mr. Wallace points out, it's only \$6 million, after all. However, that's \$6 million from taxpayers' pockets.

Let me phrase my question differently. Is there some way for you to find \$6 million in your \$4.659 billion budget?

[English]

**Mr. Stephen O'Connor:** The answer, again briefly, would be yes, but at what cost? We've been recently reviewed and evaluated by the Office of the Auditor General with respect to our investment decision-making. That audit report came out extremely positive, complimenting the agency on the rigour in the information system it uses to determine its investments. That process allows us to fund a considerable number of the investment pressures we have on the tax side, such as the T1, the T3, the T2. The problem we have now is that one of the objectives of this program from the Treasury Board Secretariat was effectively to accelerate the process.

Would we have done this without the money? Yes, eventually, but not now. It wasn't high enough on our priority list, given the other needs we have, to allow this to happen. Part of what the Treasury Board had interest in were broader government-wide objectives. It is an interest we share, but in fact some of those benefits apply more widely across government than to ourselves.

As you correctly point out, it's \$6 million in a \$4.6 billion budget. As a finance officer it would be foolish of me to say we couldn't find it, but we would have had to displace something else. That part is for certain.

• (1555)

[Translation]

**Mr. Thomas Mulcair:** What were you doing that was more important?

[English]

**Mr. Stephen O'Connor:** At the current time, we're doing an integrated revenue collection system, for example, which is allowing us to integrate the revenue collection process.

Previously our revenue collection activity tended to be a little bit too vertical. We would look at a taxpayer's account and their T1 return, make some phone calls to them about what they owe us, and hang up the phone. Somebody else in the organization would realize that they also owed us GST money. Perhaps they're running a small incorporated business and owe us some T2 money.

These aspects were not integrated, so one of the processes, one of the investments we're running now, is an integrated system that would allow the collection agent, when the name is put up on the screen, to identify that not only does this person owe us money on the T1, but they also owe us money in these other areas. That way, the agent can pursue the person for the total debt, not just the single debt, while the agent has the person on the phone.

[Translation]

**Mr. Thomas Mulcair:** With all due respect to the agency, I can assure you, Mr. O'Connor, that what I'm about to say shouldn't be taken personally at all, but I suspect that many Canadians have just listened to your explanation and are wondering how a system that costs \$5 billion a year and that is not integrated could possibly have been put in place. I have to say that I am at a loss for words when I hear an explanation like this.

Basically, I knew beforehand what your answer was going to be. I find your candour refreshing. You answer our questions clearly and I appreciate your professionalism. However, setting that aside, I do think that the public, and in particular young people, are scrutinizing the government's actions. When they see themselves saddled with two-year deficits in the order of \$100 billion, they want assurances that we know what we are doing. Frankly, I think that before increasing your budgets, you should have looked for money within existing budgets. It's a classic response on your part to say that if we do not secure new money from the Treasury, we will have to sacrifice another activity. That's a classic response, because you control the purse strings. However, if the answer was to find new funds, while improving service to the public at the same time, I'm sure you would manage to do that.

[English]

**The Chair:** *Merci, Monsieur Mulcair.*

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

**Ms. Martha Hall Findlay:** Mr. Chair, my colleague will ask a quick question first. We're sharing.

**Mr. Scott Simms:** Now that the end of the month is coming—I just have a quick question—everything has been spent thus far, I would imagine?

**Mr. Stephen O'Connor:** It's not quite everything, but an amount of this has been spent. We did do some risk management on this project.

**Mr. Scott Simms:** Can you elaborate a little more on what exactly hasn't been, and will surpass the date, the end of March?

**Mr. Stephen O'Connor:** We still have these IT contractors working and we're still building the software, so I can't give you a percentage number as to how much of this \$6.3 million is still to be spent this year, but in relative terms it's probably somewhere around one-twelfth, or something in that range. It's perhaps one-fifteenth of that amount.

**Mr. Filipe Dinis:** Mr. Chair, the only thing I would add to what Mr. O'Connor has just said is that we obviously operate from April 1 to March 31, so it's from now until March 31. As Mr. O'Connor has mentioned, some of this amount of money has been spent, but the plan is to fully spend this amount as required for this particular initiative, and for no other purposes than this initiative.

• (1600)

**Mr. Scott Simms:** So it's over the next few weeks.

Okay.

**The Chair:** Ms. Martha Hall Findlay.

**Ms. Martha Hall Findlay:** Thank you.

Given the IT focus, can I ask you a question about the government enterprise network services approach...?

Was that a rolling of the eyes?

**Mr. Stephen O'Connor:** Yes, it was.

**Voices:** Oh, oh!

**Ms. Martha Hall Findlay:** Could I impose on you gentlemen to confirm whether or not your department is engaging in the GENS initiative? Maybe that's just a first quick question: is CRA involved in GENS?

**Mr. Filipe Dinis:** I'm not aware of our involvement. We may indeed be involved, but it would be our IT folks who would be able to respond to that. I'd have to say I'd like to come back to you on that one. I can't respond either way.

**Ms. Martha Hall Findlay:** Then maybe, as was mentioned earlier, when we have other representatives back...

May I ask why there was that particular look when I asked the question?

**Mr. Stephen O'Connor:** It was purely and simply because I didn't recognize the name of the activity you were describing.

We have a tendency in the agency to have our own names for these projects, so we may be doing this but under our own different name.

**Ms. Martha Hall Findlay:** Well, I ask because the GENS project is in fact coordinated out of Public Works and Government Services as an effort to integrate IT throughout the entire government, and when you're talking about this not insignificant money for IT and software—professional services and software—it actually is a legitimate question.

Do you know whether a part of this is in fact part of the GENS program? I know you mentioned SAP, but is it part of the GENS program or not?

**Mr. Stephen O'Connor:** This particular initiative is not. I would have known, if it were.

Are we participating in other aspects? We do participate with Public Works on a large number of Public Works-led projects.

What's underlying here is another example, however, of an integrated IT service. We do provide to CBSA IT services. When CBSA was created in 2003 and we went about splitting up the previous Canada Customs and Revenue Agency into the two component pieces, it was in a way much easier to divvy up the actual employees—"you're a customs person, and you're a tax person"—but when it came to our IT systems, they had become so integrated that it would have been enormously expensive at that stage to actually duplicate the IT systems and applications that were in play.

So in a serious manner, we are one of the shared IT services that didn't go under the banner of a shared service, but we are effectively a shared service arrangement with Canada Border Services Agency. They remit to us something in the range of \$140 million a year for the IT services that we provide on their behalf. We have one integrated set of infrastructure. A number of our applications—certainly, for example, this system, our corporate administrative system—serve both the Canada Revenue Agency and the Canada Border Services Agency.

**Ms. Martha Hall Findlay:** Thank you.

**Mr. Filipe Dinis:** Mr. Chair, if I may, let me add as well that we are part of a large community in terms of moving towards the upgrade of our administrative system. Some departments and agencies have gone ahead of us, but we're on the front line of moving forward. As part of that greater community we are sharing lessons learned as well as taking best practices from those who went ahead of us vis-à-vis the application and the implementation of the various modules that are involved in this upgrade. It's not as if we're moving along solo. We are indeed part of a greater community wherein we're sharing best practices.

**The Chair:** Thank you.

We'll go to Monsieur Pomerleau, *pour cinq minutes*.

[Translation]

**Mr. Roger Pomerleau (Drummond, BQ):** Thank you, Mr. Chair.

Good day to both of you. First off, I would like to thank Mr. Mulcair for bringing one very important fact to light, namely that we tend to think that there is no money to be found within our administrations. In my opinion, there is money to be found without

having to request supplementary estimates simply by doing better than we are usually do. But you are asking for supplementary estimates today and we will address your request.

I would also like to thank my colleague, Mr. Carrier, for pointing out that, on a policy level, there are millions of dollars to be had simply by getting those who don't pay taxes to start paying. We're talking about millions of dollars. I know that this isn't your responsibility, that it comes down to the policies likely ordered by the Department of Finance and applied by Revenue Canada or by the people in your organization that formulate policy. In my opinion, it has a lot to do with being "penny wise and pound foolish". We focus a great deal on the small sum of \$10 million that is needed, but not a lot on the hundreds of millions that go uncollected.

That said, I have two very specific questions for you concerning your rationale for requesting \$10 million, less the amount that you will be transferring. You maintain that financial systems need to be improved. For the benefit of the people tuning in at this time, I would like you to give us a few examples of improvements to financial systems. You want to support the financial decision-making process. I thought that the Department of Finance has primary decision-making authority, rather than Revenue Canada. Could you explain to us exactly why that is and why you added the word "post-horizontal"? What's that all about?

• (1605)

[English]

**Mr. Filipe Dinis:** Mr. Chair, as requested, I'll give you a few specific examples of what this money is being invested in for improving our financial stewardship.

One of the items that Mr. O'Connor mentioned was the multiple spending authorities. More particularly, what that initiative does is allow us within the agency to basically create and track, at various levels throughout the whole organization, the various dollars and cents we receive within the \$4.6 billion. We're now able to create a salary and operating capital envelope, if you will, as well as track our statutory amounts that come in to the agency.

Not only that; with this implementation, managers throughout our organization will have a clear understanding throughout the year of their spending patterns, if you will. There will be some warnings that will be generated once a particular budget is spent up to 75%, 80%, or 90%. These added elements of automation will allow us to better report from a transparency perspective on our spending patterns as they relate to the various buckets.

The other item that I wanted to touch on quickly is a module called project systems. Again on the financial side, we will now be able to track—and we have a capital budget, as you will see in our main estimates, of approximately \$136 million on an annual basis.... These represent investments that we make annually, and many of them are multi-year. What this added tool will allow us to do is track that particular money.

In other words, we are able to fence the investments that we make internally, so as to be able to report accurately upwards to our senior management in the agency.



The third quick item on the financial side is something we call salary forecasting. Basically, what this will allow us to do is build on our ability to forecast our expenditures from a salary perspective. Obviously, with 44,000 employees in the agency and a salary budget representing close to 80% of our overall budget, a tool like this goes a long way, in terms of our ability to forecast expenditures on the salary side.

Those are three examples from the financial perspective that were put in place. As it relates to the horizontality, some of these elements will be used not only by the CRA but by CBSA as well. In particular, the multiple spending authorities module is one item that is being implemented for the benefit of both CBSA and the CRA.

Lastly, I'll touch on one of the workload management tools that we're putting in place on our HR side that will enable us to deal more effectively and efficiently from a compensation perspective. Obviously, again, with a large staff complement like ours, there are significant amounts of compensation and salary-related transactions. This module will help us to prioritize the workload.

**The Chair:** *Merci.* Thank you.

We'll go now to Ms. Block, please.

**Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC):** Thank you very much, Mr. Chair.

Thank you for being here today to answer our questions.

My first question has to do with the connection between the Canada Revenue Agency and the Canada Border Services Agency. Why do you share a financial system?

**Mr. Stephen O'Connor:** It's because of our parentage, in the sense that we were both born from the same organization. In the early 1990s—this will be short—we, Customs and Tax, were integrated. We spent an awful lot of time over a decade integrating our IT systems. Early in the decade, in 2003, after the terrorist attack, the decision was made that we would move Customs over to become part of Public Safety.

As I said earlier, it was somewhat easy to divide up people, but the infrastructure was extremely difficult to divide up. We had discussions with Treasury Board. We talked about what the cost might be to duplicate the system. It was a massive amount—over hundreds of millions of dollars—to break up and create a new system. It was decided at that point in time to have us provide that service for the border agency.

It's been a very successful experiment, to be honest. Originally, there may have been a few irritants, and the border agency may have felt like the boarder upstairs in the house, but I think now it feels it's an equal partner. We have a new governance regime in place. We've just signed some new MOUs with it in place. The agency's demand on our IT system has grown significantly in recent years as it has become much more automated. So at this stage we're almost 50-50 in terms of usage.

•(1610)

**Mrs. Kelly Block:** Thank you very much.

I note that the transfer to the Canada Border Services Agency is to provide funding for the financial interoperability and stewardship

initiative. Can you explain that a little bit or tell me what the purpose of that initiative is?

**Mr. Stephen O'Connor:** That's a Treasury Board initiative that I believe was announced in the 2006 budget. They wanted to ensure that departments and agencies across the government improved the interoperability of their financial systems in the sense that when you wanted to add up numbers across departments, if every department was using uniquely tailored systems, it became much more difficult to do those aggregations. It was also very difficult when staff moved from one organization to another. It was like moving into a new world.

The second part of that was the stewardship aspect of it, to gain more control and more assurance that the financial principles that we wanted to pursue under accountability would be enabled by our systems.

What we're seeing today is more under the stewardship banner than under the interoperability banner. As my colleague indicated, you can see from those projects that our assurance we're being accountable and living within expectations will increase when these projects are finished.

**Mrs. Kelly Block:** Thank you very much.

**The Chair:** Thank you.

There's a minute left, or Mr. Généreux could have a round after Mr. Pacetti. He could have a full five-minute round.

[*Translation*]

**Mr. Bernard Généreux (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, CPC):** If you don't mind, I would like to ask a question.

[*English*]

**The Chair:** Okay.

[*Translation*]

**Mr. Bernard Généreux:** First of all, I want to apologizing for being late.

Good day, gentlemen.

Could you explain what the Children's Special Allowance payments are exactly? Who is eligible to receive these payments and what is their intended purpose?

[*English*]

**Mr. Stephen O'Connor:** That payment is sort of a partner arrangement with the child tax benefit program. Under the child tax benefit program, parents get a tax credit through the tax system, so they get, effectively, a reduction in what they owe in taxes every year. For children who are under the care of an institution or in foster care, this program provides the same level of support for those children, in those circumstances, as the child tax benefit program does.

So in a sense it ensures that all children are appropriately covered.

[*Translation*]

**Mr. Bernard Généreux:** I see, thank you.

[*English*]

**The Chair:** Okay, *merci*.

We'll go to Mr. Pacetti, please.

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

Thank you to the witnesses.

I know last year we had a discussion...because there was extra money required due to the budget—for example, the implementation of the taxpayers savings account. I believe the supplements at the time were almost \$10 million, if not even more. That was related to getting the technology up to speed, and the software, and all the items related to that.

I'm wondering what happened with that. Was there enough money for the implementation of the taxpayers...or are we not seeing any of that in the \$1.5 million or \$6.3 million?

**Mr. Filipe Dinis:** That item was indeed raised at our last appearance here. We, at the time, did not have the information. We committed to getting it back to the committee, and we did so.

Regarding the amounts in question for the tax-free savings account, I will quote the numbers for 2008-09 that were provided to the committee. For 2008-09 it was \$19.3 million; for 2009-10 it was \$17.9 million; for 2010-11 it was \$14.6 million; and for 2011-12 it was \$14.7 million. These amounts of money are indeed sufficient at this point in time to implement the tax-free savings program.

•(1615)

**Mr. Massimo Pacetti:** None of those amounts are in the supplementary estimates (C) we are seeing today.

**Mr. Filipe Dinis:** They are not. They were approved previously.

**Mr. Massimo Pacetti:** They would be in the main estimates.

**Mr. Filipe Dinis:** That's right.

**Mr. Massimo Pacetti:** In the last few budgets, we've seen a whole bunch of little gimmicks, and it has cost CRA quite a substantial amount to bring the software up to snuff, and some changes have had to be made. We just saw the budget tabled last week, and I'm wondering if CRA will have to incur any additional costs given the budget that was announced three weeks ago.

**Mr. Stephen O'Connor:** Our officials are consulted by the Department of Finance prior to the budget, on a need-to-know basis, to determine whether initiatives are administratively feasible and that sort of thing. That doesn't allow us to—

**Mr. Massimo Pacetti:** I'm sorry to interrupt, but that is not what I've been told in the past. In the past I've been told that the budget gets tabled, and then CRA is told to do whatever it takes to get these gimmicks through.

**Mr. Stephen O'Connor:** Well, in the beginning we are consulted on whether or not it is doable in the broad sense: Can I build a house on that piece of land?

**Mr. Massimo Pacetti:** Okay.

**Mr. Stephen O'Connor:** Once we're there, the question is how much that house will cost, and that is the point we're at right now. We're working with the budget now released. We're able to circulate it more broadly in the agency and get our officials to work on it to determine what's required to make it happen. Those costs are being

developed now, and we will be consulting with the Department of Finance.

We have a better understanding—

**Mr. Massimo Pacetti:** Okay, that's fine. But since you brought it up and given the fact that you were consulted prior...would there not have been any additional estimates required in these estimates for the budget that was tabled?

**Mr. Stephen O'Connor:** When I say we were consulted, that means a week or two weeks beforehand. Those consultations are conversations, discussions. No hard-core work is done, and no systems changes are done until the budget is tabled and Parliament has had an opportunity to get at it.

**Mr. Massimo Pacetti:** Okay, so we'll see them either in the main estimates or in the upcoming supplementaries.

**Mr. Stephen O'Connor:** You will see them in supplementary estimates later this year and then in the main estimates to the extent there is a follow-on cost.

**Mr. Massimo Pacetti:** Great.

Thank you.

**The Chair:** Thank you, Mr. Pacetti.

I have just a couple of questions.

Following up on what Ms. Block and Mr. Mulcair were asking on the financial interoperability and stewardship initiative, just so I can fully understand why this was not budgeted for in previous assessments, why is it in the supplementary estimates (C)?

**Mr. Stephen O'Connor:** Basically Treasury Board wanted to open the opportunity for departments to put forward any cases they had under the objectives of the FISI program, and they reviewed these over the course of the fall and made decisions on them in December. Given that, it was too late to get them into the main estimates.

**The Chair:** When did the initiative begin?

**Mr. Stephen O'Connor:** I believe it was announced in budget 2006.

**The Chair:** Will this help in terms of tax compliance, tax avoidance issues, some of the issues that Mr. Carrier raised?

**Mr. Stephen O'Connor:** Speaking frankly and directly, no. It will help us indirectly, because it is going to mean we'll become more effective, more efficient in our administrative systems, and to that end it would allow us to realign some of our budget in the future into other sharp-end programs such as the compliance programs.

**The Chair:** I have one final question. This committee actually toured the centre in Prince Edward Island, and we did sort of get a sense of how CRA is going much more electronic. I know it is broader than the supplementary estimates (C), but can you speak to that in terms of information that is being collected from Canadians and what your plans are for going more electronic and reducing the amount of paper that CRA is taking in and sending out?

• (1620)

**Mr. Stephen O'Connor:** I'll start. Perhaps my colleague can finish.

A good example is that 58% of our T1 returns are coming in electronically now. On the T2 returns, our corporate returns, the electronic transmissions are not as high, but the addition a few years ago of the 2D bar code for the T2 returns for anybody using any of the software packages has meant that 90% of our T2 returns are now coming in either electronically or with the bar code.

One example is that we received a submission last week, I was advised, which in the old days would have taken us four and a half days to move from paper to our own systems. With the bar code, they are able to do it in 20 minutes.

These are examples of the move and now we're starting to expand it. We're starting to require organizations sending information to us to send it electronically—not just the taxpayers' returns but the actual information slips. It certainly is the direction we're moving in.

**The Chair:** Thank you. I certainly appreciate that. We did see that at the centre, and I have to say that in my personal experience I've had a very good experience with CRA in that measure.

Colleagues, I have no further questions.

Do members have further questions?

Monsieur Carrier.

[Translation]

**Mr. Robert Carrier:** I have a short question, Mr. Chair.

It concerns the figures you provided to us about the payments to the provinces under the Softwood Lumber Products Export Charge Act. I assume that these payments are being made in accordance with the softwood lumber agreement with the United States, but I would like you to confirm that for me and also to explain how this works. Does the amount that you are transferring as a payment correspond to the amount that you will be collecting? I'd like you to clarify that for us, while we have you here.

[English]

**Mr. Filipe Dinis:** Mr. Chair, as it relates to the softwood lumber amount, the amount in question that's reflected, the \$429 million, is indeed a forecast of the expected payments to the provinces.

However, that said, the actual payment for 2009-10 is expected to be in and around \$188 million. The variance is obviously adjusted in our budget in the main estimates. So the number you're quoting in referencing the \$429 million is a forecast at the beginning of the year, and I just wanted to ground that forecast with the real number, which is expected to be \$188 million. In 2008-09, just as a point of reference, it was \$180 million to the provinces.

[Translation]

**Mr. Robert Carrier:** Does this correspond to the amount that you collect from export firms and transfer to the provinces? That's what I would like you to clarify for us.

[English]

**Mr. Stephen O'Connor:** We'll have to get back to you, sir, on the actual amount of money we collected. By the definition of the program, the money we collect, minus some administrative charges, is then sent back out in payments to the provinces, so by definition it has to be larger, but I can give you the exact numbers later. I'll send them through the clerk.

**The Chair:** Okay?

[Translation]

**Mr. Robert Carrier:** Mr. Chair, since we are talking about providing some information, my two earlier questions concerning options to purchase and cigarette smuggling may not have been clear. The departmental officials agreed to provide us with the information we requested. I'd like some confirmation of that. It was not clear. Mr. Wallace indicated that we might discuss these matters later, but it would be better if departmental officials could get this information to us, rather than have another discussion at another meeting. Can we agree on this course of action?

[English]

**The Chair:** Well, we can certainly do that, or certainly I as the chair can submit that to the department and the minister and ask for a full statement. I don't know whether Mr. O'Connor would be able to provide that information. I believe it would be someone else in CRA.

• (1625)

**Mr. Stephen O'Connor:** That is correct.

**The Chair:** So as the chair, I will ask for that information on your behalf and on behalf of the committee.

[Translation]

**Mr. Robert Carrier:** Fine, thank you.

[English]

**The Chair:** *Merci.*

I want to thank you, gentlemen, for coming in today and appearing on the supplementary estimates (C). I appreciate your attendance here, your presentation, and your responses to our questions.

Thank you very much.

**Mr. Stephen O'Connor:** Thank you very much.

**The Chair:** The meeting is adjourned—

**Mr. Mike Wallace:** I think you do have to deal with it, Mr. Chair. No? Oh, if we don't deal with it, it automatically passes.

**The Chair:** We're not obliged to.

**Mr. Mike Wallace:** Fine. I just wanted to make sure we did it right.

**The Chair:** Thank you.

The meeting is adjourned.









**MAIL  POSTE**

Canada Post Corporation / Société canadienne des postes

Postage paid

Port payé

**Lettermail**

**Poste-lettre**

**1782711  
Ottawa**

*If undelivered, return COVER ONLY to:*  
Publishing and Depository Services  
Public Works and Government Services Canada  
Ottawa, Ontario K1A 0S5

*En cas de non-livraison,  
retourner cette COUVERTURE SEULEMENT à :*  
Les Éditions et Services de dépôt  
Travaux publics et Services gouvernementaux Canada  
Ottawa (Ontario) K1A 0S5

Published under the authority of the Speaker of  
the House of Commons

### **SPEAKER'S PERMISSION**

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Additional copies may be obtained from: Publishing and  
Depository Services  
Public Works and Government Services Canada  
Ottawa, Ontario K1A 0S5  
Telephone: 613-941-5995 or 1-800-635-7943  
Fax: 613-954-5779 or 1-800-565-7757  
publications@tpsgc-pwgsc.gc.ca  
<http://publications.gc.ca>

Also available on the Parliament of Canada Web Site at the  
following address: <http://www.parl.gc.ca>

Publié en conformité de l'autorité  
du Président de la Chambre des communes

### **PERMISSION DU PRÉSIDENT**

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

On peut obtenir des copies supplémentaires en écrivant à : Les  
Éditions et Services de dépôt  
Travaux publics et Services gouvernementaux Canada  
Ottawa (Ontario) K1A 0S5  
Téléphone : 613-941-5995 ou 1-800-635-7943  
Télécopieur : 613-954-5779 ou 1-800-565-7757  
publications@tpsgc-pwgsc.gc.ca  
<http://publications.gc.ca>

Aussi disponible sur le site Web du Parlement du Canada à  
l'adresse suivante : <http://www.parl.gc.ca>