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Tuesday, May 25, 2010

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Chair

Mr. James Rajotte

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• (1530)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order.

This is the 21st meeting of the Standing Committee on Finance. Our orders of the day, pursuant to Standing Order 81(4), are to deal with the main estimates 2010-11, votes 1 and 5 under the Canada Revenue Agency, and votes 1, 5, L10, 20, 25, 30, 35, and 40 under Finance, referred to the committee on Wednesday, March 3, 2010.

Colleagues, we have two one-hour sessions today. In the second panel, we will have the Canada Revenue Agency. In the first panel, we have the Department of Finance; the Financial Transactions and Reports Analysis Centre of Canada; OSFI, the Office of the Superintendent of Financial Institutions Canada; the Canadian International Trade Tribunal; and Public-Private Partnerships Canada.

Ms. Harrison, my understanding is that you will have an opening statement on behalf of the Department of Finance, and then we will take questions from members to any one of those five organizations.

Ms. Harrison, welcome to the committee. You may begin at any time.

Ms. Sherry Harrison (Executive Director, Corporate Services Branch, Department of Finance): Good afternoon, Mr. Chair.

[Translation]

My name is Sherry Harrison. I am the executive director responsible for the Financial Management Directorate at the Department of Finance. With me today are officials who are here to assist in responding to your questions on the main estimates 2010-2011 for 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.

[English]

The 2010-11 estimates that have been tabled in the House identify total budgetary requirements for the Department of Finance of \$88.5 billion.

Over 99% of this amount, or \$88.1 billion, relates to statutory votes for items that have already been approved by Parliament

through enabling legislation. These include items such as the payment of public debt charges, Canada health and social transfers, and equalization payments. The statutory votes are displayed in the estimates document for information and will not be included in the appropriation bill.

[Translation]

Within the statutory votes, there is a net increase of \$5.7 billion over last year's main estimates, with the major changes being a \$3.6-billion increase in transfer payments to the provinces and territories, and a \$1.8-billion increase in public debt costs.

[English]

The non-statutory votes of the Department of Finance show a decrease over last year's main estimates. This consists of a \$32.8 million decrease in grants and contributions, mainly due to the transfer of the debt payments on behalf of poor countries to international organizations to a new statutory vote and a decrease of contributions related to the Toronto waterfront revitalization initiative. The decrease is partially offset by an increase in grant payments for bilateral debt relief.

Additionally, there's an increase of \$16.7 million in the operating vote. This is mainly due to increases in funding for the Canadian securities regulator, the 2010 G8 summit, the task force on financial literacy, workload in support of the economic action plan, implementing tax harmonization, and the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. These items are time-limited.

• (1535)

[Translation]

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

The Chair: Thank you for your presentation.

[English]

We will start with members' questions, beginning with Mr. McKay. You have seven minutes.

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

In another life, I was quite interested in public-private partnerships and have been quite supportive of public-private partnerships over the past, but it seems that under the life of this government, it's been slow on the uptake. I see that you now have a significant increase in the amount of funding requested. Can you tell me what projects have been funded and how much they're costing? What's the average cost of a project? Would these projects have happened without your participation?

The Chair: Please state your name for the record.

Mr. Richard Botham (General Director, Economic Development and Corporate Finance, Department of Finance): I am Richard Botham. I'm the general director of the economic development branch of Finance Canada.

PPP Canada is rolling out its activities. There was an announcement of two projects, about three weeks ago, I believe.

Hon. John McKay: What were the projects?

Mr. Richard Botham: There was a project to construct an emergency communications network in Atlantic Canada. It involves participation from the federal government—

Hon. John McKay: Emergency communications network? What's that?

Mr. Richard Botham: I probably could get more details for you from PPP Canada itself, but as I understand it, it's a network that links first responders. It involves the Atlantic provinces—provincial governments—the federal government, and the private sector.

Hon. John McKay: And the second one?

Mr. Richard Botham: I don't have with me the details of the second project, sir.

Hon. John McKay: There are two projects, and you've had a 233% increase in the amount requested for funding. On the face of it, they sound like awfully expensive projects.

Mr. Richard Botham: The operations of PPP Canada have recently started up, and so it's anticipated that the expenditures of the organization will ramp up over the next five years as they conclude projects.

Hon. John McKay: Why is it housed in Finance? After all, Finance really doesn't do anything except move money from here to there. It's not really an operational department. Why is PPP there as opposed to Industry or somewhere else?

• (1540)

Mr. Richard Botham: Well, that's a machinery-of-government issue. It's not really for a Finance official to provide information as to why that decision was taken.

Hon. John McKay: In a previous government, that was one of the major objections, that it shouldn't be housed under Finance; it should be housed somewhere else.

All right. So there are two projects under way, a 233% increase, and it's in Finance.

Mr. Richard Botham: Correct.

Hon. John McKay: Thank you very much.

Mr. Richard Botham: You're welcome.

Hon. John McKay: Turning to softwood lumber, there's an 11.7% increase. There's about a \$50-million discrepancy between what was originally asked for and what's being paid out. Can somebody elucidate on that?

Mr. Paul Rochon (Senior Assistant Deputy Minister, Economic and Fiscal Policy Branch, Department of Finance): Could you let us know what you're referring to, what line you're referring to? Softwood lumber?

Hon. John McKay: Yes. I'm actually cheating. I'm looking at the analysis by the Library of Parliament and our very capable researchers here.

The Chair: That's a question for the CRA, on our second panel.

Hon. John McKay: I'm sorry. I apologize.

You go ahead.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Okay.

For the main estimates on Finance, I guess the overall budgets for the Auditor General, Canadian International Trade Tribunal, FINTRAC, Office of the Superintendent, they've all gone up, and all I would assume for different reasons.

But isn't there supposed to be some reining in of expenses from this government? Instead we're seeing the Auditor General go from \$82 million to \$85 million. Am I reading these correctly? There's \$9.5 billion to \$12 billion; almost \$48 billion to \$50 billion? They've all increased. I'm not sure from your opening comments—though I may have missed it—why that's happening.

Ms. Sherry Harrison: My opening comments were with respect to the departmental summary. We could have officials from the other organizations speak to their increases.

Mr. Massimo Pacetti: But somebody in Finance should be questioning it. Shouldn't you be looking at this? You are Finance, after all. Shouldn't you be responsible for trying to rein in some of these expenses? It just seems to be getting out of control.

Mr. Paul Rochon: The Auditor General's budget, as I understand it, is determined by a procedure through the public accounts committee. The Auditor General reports through the Minister of Finance for the purposes of tabling, but we don't have direct input over her budget.

As the 2010 budget set out, the government is asking all agencies to abide by and follow the expenditure restraint measures that were set out in the budget. But in this case the decision has been taken to leave those matters up to the Auditor General's office.

Jeremy, do you want to refer to the increase in FINTRAC?

Mr. Jeremy Rudin (Assistant Deputy Minister, Financial Sector Policy Branch, Department of Finance): Sure.

The increase in FINTRAC is, I believe, related to the additional responsibilities that FINTRAC has been given over the course of the —

Mr. Massimo Pacetti: I just don't like these sentences that have “I believe”, “I'm not sure”, and “we're not aware of”. I'm not sure, then, what you guys came here for. You can't just say “I believe”. I mean, these are general questions.

If the other departments are going to have the same discipline you guys are going to have, we're never going to rein in expenses, that's for sure. I mean, it doesn't make any sense. If I use a percentage that's a little bit out of control, that's....

I can understand \$3 billion in extra funding for transfer payments, but I have a hard time understanding \$2.4 billion for tribunals and \$1.8 billion for FINTRAC.

The Chair: Okay.

Just make a very brief response, please.

Mr. Jeremy Rudin: I would be happy to have the officials from FINTRAC, who are here, give you the details of their reason for the increase in their expenditures, if you wish.

Is that okay with you, Mr. Chairman?

The Chair: Yes.

Ms. Baxter, please.

Ms. Margaret Baxter (Chief Financial Officer, Financial Transactions and Reports Analysis Centre of Canada): The increase for FINTRAC is related to two items. One is a re-profile of funds from prior years into this fiscal year, to set up our disaster recovery site. The other item is a \$200,000 increase that had been pre-programmed for the national anti-drug strategy.

The Chair: Okay.

You may want to follow that up in the second round.

Monsieur Paillé, s'il vous plaît, pour sept minutes.

[Translation]

Mr. Daniel Paillé (Hochelaga, BQ): Thank you, Mr. Chair.

I hope that there are individuals here who will be able to answer my questions, because I, too, am a bit shocked with the kind of responses we are getting.

There are two things, in particular, within the department's portfolio that I am especially interested in: the establishment of a Canadian securities regulation regime and a Canadian regulatory authority, which represents \$150 million, and the Canadian Securities Regulator Transition Office.

I would like some detailed information on those two items. Does it include salaries? Will permanent employees be hired? Will there be a union? New equipment? New capital property? Has office space been rented? Does it have any assets?

Can you give me those details in 30 seconds?

• (1545)

Mr. Jeremy Rudin: The Transition Office is a new federal agency. The expenditures cover salaries, office space, equipment—mostly computers—and so forth. There are also contracts with consultants who provide assistance.

Mr. Daniel Paillé: Could you give us a quick breakdown of those expenditures, in other words, the \$150 million or \$161 million?

Mr. Jeremy Rudin: The amount allocated to the Transition Office this fiscal year is \$11 million. The Transition Office will submit its

first annual report in the next few months. The report will include a detailed breakdown of everything.

Mr. Daniel Paillé: My job, as a parliamentarian, is to authorize spending. I do not want to learn about expenditures after the fact. I want to know about them beforehand.

Mr. Jeremy Rudin: They are all statutory expenditures in the Transition Office's budget, which were approved under the Budget Implementation Act, 2009.

Mr. Daniel Paillé: Is that also the case for the \$150 million?

Mr. Jeremy Rudin: The \$150 million was also approved under the Budget Implementation Act, 2009. The department will use that money to make direct payments to the provinces and territories, pursuant to the establishment of a Canadian securities regulation regime. The maximum amount is \$150 million.

Mr. Daniel Paillé: If the Supreme Court of Canada were to ever rule that what the Canadian government was doing was unconstitutional, what would happen to the \$161 million? What would happen to the people, the computers, the office space, and all the equipment, which would have been purchased unnecessarily, illegally?

Mr. Jeremy Rudin: The Transition Office has a three-year mandate. As planned, the office will cease to exist at a given point, so there will be a plan to shut it down, even if the initiative proves to be very successful. As I said, the \$150 million will allow the minister to sign agreements with the provinces and territories.

Mr. Daniel Paillé: If I understand correctly, the Supreme Court could tell the federal government that it does not have the right to do it. But it is doing it again anyway. So it is easier to get a pardon than to ask for permission.

Mr. Jeremy Rudin: I would not say that. The government did not set up a regulatory commission but an office tasked with overseeing the transition. Right now, the office has absolutely no mandate to oversee or regulate the securities market. Its mandate is to carry out the federal government's efforts towards achieving that goal, for example, by advising the minister on how to draft federal securities legislation.

Mr. Daniel Paillé: When will that legislation be introduced?

Mr. Jeremy Rudin: In October, the Minister of Justice said that the government planned to publish a piece of draft legislation in the spring and refer it to the Supreme Court of Canada.

Mr. Daniel Paillé: So all of these people have studied market efficiency. No doubt, they realized that jobs would be lost in Montreal, Calgary and elsewhere in Canada because those positions were being centralized in Toronto.

Have any studies been done on the costs associated with the loss of all the skilled jobs—accountants, lawyers, financial and IT experts—which will be lost at the provincial level once a federal securities regulator has been established? Have there been any studies done on that, yes or no?

Mr. Jeremy Rudin: Budget 2009 provides a few more details on the plan. It says that the Government of Canada intends to “maintain a high level of local service, and continue to meet the distinct needs of regional markets”.

Mr. Daniel Paillé: I read Budget 2009. I want to know whether you studied the issue specifically.

Mr. Jeremy Rudin: It says that “the plan should ensure that the resources of securities regulators from willing provinces and territories are effectively integrated... with the Canadian securities regulator”. So we do not have to study the loss of jobs because it is not included.

•(1550)

Mr. Daniel Paillé: I see old habits die hard.

In terms of market efficiency, have any studies or empirical analyses been done on the activities of issuers and investors or on the benefit of applying a system that is working well right now instead of a multi-tiered system, if that system were to ever work? Have you done any empirical studies on efficiency, as recommended by IOSCO, the IMF, the World Bank and the OECD, yes or no?

Mr. Jeremy Rudin: I do not recall the IMF recommending that the issue be studied further. If I remember correctly, the IMF and the OECD both recommended that the Government of Canada move forward with such a plan.

Mr. Daniel Paillé: When the Toronto Stock Exchange took over The Montreal Exchange, there were basic conditions under which the Toronto Stock Exchange had to satisfy a certain number of requirements.

In this case, what will happen to those basic conditions?

Mr. Jeremy Rudin: I believe those conditions were established by the AMF. Am I wrong?

Mr. Daniel Paillé: They were indeed established by the AMF, but also by the Ontario Securities Commission.

Mr. Jeremy Rudin: The federal government intends to create a national regulator, which will be established through the willing participation of the provinces. If Quebec decides, at least initially, not to participate, the Autorité des marchés financiers will continue operating, and the commitments of private companies towards the AMF will not change.

[English]

The Chair: *Merci.*

We'll go to Mr. Wallace, please.

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

Thank you for coming this afternoon and answering questions. Normally I would have been able to get you the questions in advance, but since we weren't here last week I wasn't able to do that. I have a few things.

The transfer payments listed here are all formula based, so we just redid some of the formulas. Is that not an accurate statement?

Mr. Chris Forbes (General Director, Federal-Provincial Relations and Social Policy Branch, Department of Finance): They are, I think, all formula-based or statutory. The one large one that is not formula-based would be the transitional assistance for the harmonized tax, but the rest are formula-based.

Mr. Mike Wallace: That's a one-time expense with the provinces that are...?

Mr. Chris Forbes: Yes, it's one time with the provinces—

Mr. Mike Wallace: If the rest of the country comes on board, then there'd be future expenses we'd be looking at? Is that correct?

Mr. Chris Forbes: There would be further if additional provinces come on board.

Mr. Mike Wallace: Right. Okay.

For the establishment of the Canadian securities regulation you've got the \$150 million in there. Is that a place mark? Is that going to cost the taxpayer more money over time? Have we had it in previous budgets and we're just saving for it? What's the scoop on that?

Mr. Jeremy Rudin: The \$150-million item was established in the Budget Implementation Act for 2009, which states that “The Minister of Finance may make direct payments” up to an amount “not exceeding \$150 million to provinces and territories for matters relating to the establishment of a Canadian securities regulation regime....”

So these are payments that the total amount that the minister is authorized to pay—

Mr. Mike Wallace: To provinces.

Mr. Jeremy Rudin: —to participating provinces and territories should the need arise.

The—

Ms. Sherry Harrison: The International Development Association is the arm of the World Bank that provides financial assistance to the world's poorest countries and is financially replenished by donors every three years.

For IDA's fifteenth replenishment in 2008, Canada pledged a total of \$1,152,800,000 to be paid in three annual installments.

Mr. Mike Wallace: Thank you. So is this the second installment or third?

Ms. Sherry Harrison: This would be the second.

Mr. Mike Wallace: The second. Thank you.

The purchase of domestic coinage, I'm assuming, is paying the Mint to print coins. Is that correct?

•(1555)

Mr. Jeremy Rudin: That is correct.

Mr. Mike Wallace: Have we done a study of what it would cost us to save money if we didn't have the penny?

Mr. Jeremy Rudin: This is a question that has come up a number of times. A variety of estimates have circulated in the public domain.

Mr. Mike Wallace: Yes. And they are public?

Mr. Jeremy Rudin: They have been done by other commentators.

Mr. Mike Wallace: Oh, not by you guys—not by you guys that are public, is that what you're saying?

Mr. Jeremy Rudin: We look frequently at the coin program to see what savings can be made. As was announced in the budget 2010, we'll have a substantial reduction in coinage costs arising from a new production method for the \$1 and \$2 coins.

Mr. Mike Wallace: Okay.

You're making a good point here. I think Massimo was mentioning about an austerity program that was announced. This was done back in the fall, long before he presented our budget this round.

You will have to remind me about the brackets: are they revenue instead of expense? What do the brackets mean under "youth allowance recovery" and "alternative payments for standing programs"?

I'm assuming that's money back to us. Are they down because the economy wasn't as good?

Mr. Chris Forbes: Yes, on both counts: they are recoveries and they are lower than the previous year because they reflect the value of tax points. So they are lower because of economic events over the past year and a half.

Mr. Mike Wallace: Okay.

There are some other transactions, too, like the Province of Ontario for ALP transfer and so on, which we didn't do in 2009. I know that part of the deal was that they wouldn't lose, or go down.

Do we expect those to disappear or to stay as part of the budget?

Mr. Chris Forbes: There was one payment in 2009-10, but it wasn't in the main estimates so it showed up in one of the supplementary estimates after the legislation for budget 2009 had passed. There is a payment for 2010-11, but that would be the last payment.

Mr. Mike Wallace: I don't know how much time I have left....

Two minutes? Good. Then I have time to do two more things.

Based on what you know, are we going to see fairly significant (A), (B), and (C) supplementary estimates from the finance department in this coming year? The reason I ask this question is that right on the front of our lovely blue books, it talks about how much we spend. I think the number was \$259 billion for 2010, or 2009 it was \$236 billion, and then there are (A), (B), and (C)s on top of that. We end up spending over \$300 billion in a year.

I personally would like to see us reduce the number that we see in the (A), (B), and (C)s. What does the current budget do to your department in terms of our future review of upcoming expenses?

Ms. Sherry Harrison: The operating costs, if there are any changes, would normally reflect any new initiatives that have been announced since the main estimates were closed. For example, in supplementary estimates (A), the task force on the payments system review, the statutory items are refreshed throughout the year based on any new data that we may have.

So, for example, in supplementary estimates (A) you normally see the statutory items reflected to update to the most recent budget data.

Mr. Mike Wallace: Right. But my question was, are you expecting...?

You know, we had significant increases from what we say we've spent in the main estimates until you add supplementary estimates (A), (B), and (C). I'm not blaming you guys for it, but it's across departments. I want to know, are you expecting larger sums in the (A), (B), and (C) supplementary estimates than we've had in the past,

or are we looking at the restraint piece that was mentioned by the Liberals?

Mr. Paul Rochon: In our case, as you know, most of our budget is statutory, related to things like transfers and debt charges. Transfers we expect to be largely unchanged. Debt charges, however, will be significantly lower. So if one were to look at the aggregate Finance estimate, I think it would come in lower simply because interest rates are lower.

Mr. Mike Wallace: Thank you very much.

The Chair: Thank you.

Ms. Hughes, please, for seven minutes.

Mrs. Carol Hughes (Algoma—Manitoulin—Kapusking, NDP): Thank you.

I have a question with respect to the private collection agencies. I notice there are no estimates. It says, "payments to private collection agencies pursuant to section 17.1". And in 2009-2010—

The Chair: I'm sorry, Ms. Hughes, CRA is in the second panel.

• (1600)

Mrs. Carol Hughes: Oh, I'm sorry.

Okay, we'll go to the next round, then. I'm sorry.

Give me a second here. Sorry; this was a last throw-in for me.

Because I'm not as prepared for this, I'm going to defer this to my colleagues from the Liberals. I will give them my seven minutes.

The Chair: Well, they're next. Do you want to allocate your time? Because they have the next round as well.

Mrs. Carol Hughes: They have the next round?

Here's what I'm going to do. I'm going to give three and a half minutes to them and three and a half minutes to my Bloc colleagues. Thank you.

An hon. member: *Oui!*

The Chair: Order.

Ms. Hall Findlay, you have three minutes.

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

Thank you, Ms. Hughes.

I have a couple of questions, just very quickly, on the P3 work before. I just wanted to follow up, and maybe it could just be information that's provided.

I just want to confirm, are two projects now in place instead of three?

Mr. Paul Rochon: I think we have someone from PPP Canada coming to the table.

Mr. Greg Smith (Chief Financial Officer, Public-Private Partnerships Canada): Could you just quickly repeat that? I'm sorry.

Ms. Martha Hall Findlay: That's okay. You may not have been here, Mr. Smith. There was a question earlier on P3.

Mr. Greg Smith: I'm sorry. We were at West Block at a meeting.

Ms. Martha Hall Findlay: It happens to us all the time.

Earlier there was just a bit of discussion about P3 projects. My understanding is that there are two now that are being funded. I'm looking specifically at the payments to PPP Canada for P3 fund investments, and there is \$170 million. That's just two projects?

Mr. Greg Smith: No. There was a call for projects in September 2009; round one. We received some 20 applications. We are processing those applications. The minister made the first project announcement two weeks ago, funding an emergency maritime radio project in the combined Nova Scotia, New Brunswick, and P.E.I. That is the only project that has been announced to date.

Ms. Martha Hall Findlay: So that's the only project.

And is this funding then anticipating a number of other projects that you think are in line for funding?

Mr. Greg Smith: We are continuing to do our evaluation on the projects, and the board of PPP Canada will be making further recommendations to the minister, yes.

Ms. Martha Hall Findlay: Can I just express a little bit of concern at \$240 million for some things that we have no real information for? Could there be a commitment to provide more information in more detail to us, if possible, in the next couple of weeks on what's out there, whether that money would be just for the one year? Is that an anticipated amount projected out for several years? That kind of detail would be really helpful. That would just go right to the committee, then, if that's possible.

Mr. Greg Smith: That's fine. Absolutely.

Ms. Martha Hall Findlay: I would also note that \$10 million has already been spent on the PPP office. How many people are housed in that office?

Mr. Greg Smith: Today there are 32 people, and we are anticipating growth to around 42 to 43 staff.

Ms. Martha Hall Findlay: And that would be for one project so far?

Mr. Greg Smith: So far.

Ms. Martha Hall Findlay: We've been talking about money spent on PPP Canada for the last couple of years without really anything. That seems like a great deal of money that's already been spent and we're only now up to one project.

But I'll leave that just for the record.

Hon. John McKay: I want to ask Mr. Rochon, who, I thought in response to Mr. Wallace, said he thought that interest costs would go down. In these statements, the interest costs jumped by \$1.8 billion. The government has ramped up its debt quite substantially, somewhere around \$160 billion over five years, and there's active

speculation that the Bank of Canada will raise its interest rates. So I find your statement that you think that interest costs will go down somewhat startling.

• (1605)

Mr. Paul Rochon: Yes, there's some.... The debt charges that are reflected here, which I believe are \$33.7 billion, are reflective of the projection for debt charges in the September 2009 fall statement. As you know, between September 2009 and the budget, interest rates fell a lot. As a result, in the budget we're projecting debt charges of \$31.3 billion for 2010-11, so a savings of about—

Hon. John McKay: I'm not quite sure I understand you. For the main estimates for the fiscal year ending March of this year, it's \$31.8 billion—your interest costs.

Mr. Paul Rochon: Correct—

Hon. John McKay: Then you jump that by \$1.8 billion to fiscal year ending March next year. What does this have to do with September of 2009?

Mr. Paul Rochon: What we're comparing here is the \$33.8 billion in debt charges for the 2010-11 fiscal year, which was tabled March 3 before the budget, and that forecast was based not on the budget forecast but on the forecast available previous to the budget, which was the fall update.

What I'm saying is between the fall update and the budget—

Hon. John McKay: I'm not entirely clear what you're saying, but it seems to me that what you're saying is that you based your budget forecast for this year on what the numbers were in September of 2009.

Mr. Paul Rochon: No. What I'm saying is that the main estimates, which are not the budget but the main estimates and they are tabled before the budget, were based on the fall update, because the budget had not been presented. We have come out with our supplementary estimates (A) and we revised the debt charge number down to \$31.3 billion. That reflects the impact of lower interest rates worldwide as we went into a recession and interest rates were affected.

Hon. John McKay: What's the accumulated debt at this point?

Mr. Paul Rochon: For 2009-10, the accumulated debt is \$517.5 billion.

Hon. John McKay: Up from?

Mr. Paul Rochon: Up from \$463.7 billion in 2008-09.

Hon. John McKay: Okay. Thank you.

The Chair: Thank you.

[Translation]

Mr. Paillé, you have eight minutes.

Mr. Daniel Paillé: Thank you, Mr. Chair.

Perhaps we can talk a little more about the debt. There is a fixed portion of the national debt for which the rate is known; there are outstanding bonds. What is the variable proportion as compared with the fixed portion?

Mr. Paul Rochon: Today, the fixed proportion is around 62%.

Mr. Daniel Paillé: So it is the 38% then that accounts for the fluctuations we were just talking about. I would also assume that the new debt....

The Bank of Canada probably issued its bonds early so that people could benefit from the lowest interest rates. I would assume that as far as debt management or new borrowing management goes, they stocked up based on the current financial markets.

Mr. Jeremy Rudin: The debt strategy is set out in every budget. This fiscal year, we are aiming for \$80 billion in bond issues—

Mr. Daniel Paillé: Of Canada.

Mr. Jeremy Rudin: —in fixed bonds. That would keep the fixed rate more or less stable or, rather, it would slightly increase the fixed ratio accordingly.

• (1610)

Mr. Daniel Paillé: I am not daydreaming, but there was another budget today, the supplementary estimates (A). It seems that the debt service dropped slightly from \$33 billion to \$31 billion. So there was \$2 billion.... Therefore, our discussions today are outdated.

I want to come back to the problem of the securities commission. You said that the IMF had not.... You seemed to be a bit surprised with respect to the IMF. The International Monetary Fund has recently commented on the financial market issue on at least two occasions. I just want to read a quote from the IMF report entitled *Canada: Financial System Stability Assessment-Update*, which seems to indicate that if Canada stands up to the provinces to form its commission, then:

[English]

The conclusion is obvious: unless Canada wants to diverge from international norm, a centralized regime would essentially copy and duplicate what already exists.

[Translation]

The fact is it is a cut-and-paste job, cutting from the provinces and pasting to the federal government to fall in line with what is generally recognized around the world. Furthermore, since we were talking about it earlier, the same report states that the IMF examined the ability of a single securities commission to satisfy its two groups of clients—issuers and investors—and also took into consideration the fact that Canada, for example, has different economies. Quebec has an economy based on small to medium-size businesses; western Canada has a real venture-based economy—there is a reason that it started in Calgary and Alberta. One of the IMF's findings is as follows:

[English]

Arguably, the current system has responded to the specific characteristics of its capital market, such as allowing for a large presence of small issuers, and the concentration of certain industries in specific provinces.

[Translation]

If we are to believe the International Monetary Fund, if the federal government does take action, it will be a duplication. The IMF also said that Canada's current system reflects market characteristics that are very local, very regional, and that it cannot be repeated afterwards.

I wonder—and I am not looking for your opinions, since you are public servants and you apply federal policies—whether the Department of Finance has done any specific, technical or empirical analyses to show the merit of the takeover by the Government of Canada.

Mr. Jeremy Rudin: The government's plan is to create a unique agency, one that would still have the strengths of the current system while going even further to improve on it. As I said, the plan is to take advantage of the existing expertise in the current commissions and to really take into account industry needs, which vary from one end of the country to the other, from one region to another.

Mr. Daniel Paillé: Is the office reviewing the recent analysis done by the former president of The Montreal Exchange and former Bombardier president, Pierre Lortie? It is called “The National Securities Commission Proposal: Challenging Conventional Wisdom”. It clearly shows that undertaking a project such as this, in other words, having two systems, one where you opt in and one where you opt out, is the worst system there is.

Have you done an empirical analysis of that study? Have you studied that for the minister?

Mr. Jeremy Rudin: The goal of the government's plan is to ultimately establish a single system that would apply nationwide. We are well aware that it may not happen immediately, but that is the goal. We are focused on success.

• (1615)

Mr. Daniel Paillé: You said that success will not come right away, so that means that, for a certain period of time, Canada's capital market will be a real mess, as far as issuers and investors go.

Mr. Jeremy Rudin: Right now, we have 13 commissions.

Mr. Daniel Paillé: And a national system that is working well.

Mr. Jeremy Rudin: There are 13 commissions, and that is a situation we can really improve on. That being said, the 13 commissions have still found a way to work together. So, if we reduced the number of commissions to 3 or 4, the challenge would be no greater than it is today.

The Chair: You have 30 seconds left.

Mr. Daniel Paillé: I have one last question. It may not be aimed at you—so you can take a breather.

Where in the appropriations is the \$2.2 billion requested by the Quebec government for harmonizing the GST and QST?

[English]

Ms. Nancy Horsman (General Director, Analysis, Tax Policy Branch, Department of Finance): It's not in the main estimates.

[Translation]

Mr. Daniel Paillé: It was not included.

Ms. Nancy Horsman: It is not there.

Mr. Daniel Paillé: Thank you.

Ms. Nancy Horsman: No problem.

[English]

The Chair: *Merci.*

Back to Mr. Wallace, please.

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

I have one FINTRAC question, and then I have more of a general question on pages 4 and 5.

On the FINTRAC question, on the estimates on page 9-10 there's a significant decrease in the internal services from the previous year, from \$18 million to \$7 million. Is that because you don't need those services anymore, or you've restructured, so you don't—

Ms. Margaret Baxter: It's a restructuring of our allocation. It's related to an adjustment in our allocation of our costs as opposed to a reduction in our internal services.

Mr. Mike Wallace: So the money going from the \$30 million to the \$42 million—the extra \$12 million—is a significant increase based on work you're going to be doing on anti-terrorism and money laundering. Is there a new division, or new work to be done?

Ms. Margaret Baxter: Sorry, could I have that...?

Mr. Mike Wallace: You're going from \$29.5 million to \$42.4 million.

Ms. Margaret Baxter: I'm sorry, I don't have the document.

Mr. Mike Wallace: It's on page 9-10.

That's a significant increase on the actual program, would you not agree?

Ms. Margaret Baxter: Yes.

Mr. Mike Wallace: And what are we doing?

Ms. Margaret Baxter: The program is maintaining stable; it is just a different allocation of our resources.

Mr. Mike Wallace: So the money, then, was actually spent on internal services. You're internalizing. You're not shopping that out; you're doing it yourself.

Ms. Margaret Baxter: That's right. It is because part of our IM/IT shop was allocated to internal services, and now it's being allocated to the program.

Mr. Mike Wallace: Does that increase the bodies in your department?

Ms. Margaret Baxter: No. The organization is remaining stable.

Mr. Mike Wallace: Correct me if I'm wrong, but when I read "internal services", I'm assuming that it's a general transfer to say an IT department or somebody who's doing HR for your organization, and that's why it was accounted for as internal services and not part of the program.

Ms. Margaret Baxter: That's right.

Mr. Mike Wallace: But that's not really the case. Those people actually worked for FINTRAC, and now we're reallocating the accounting of it. We're just putting it to programming.

Ms. Margaret Baxter: That's right. It is the part of the cost of our IM/IT shop that supports the program. It doesn't support the internal services.

Mr. Mike Wallace: Thank you for that.

When I look at table 4, it says transfers for \$158 billion, and then I look at table 5, and it only accounts for 73% of what's transferred, and it lists them all there. That means 25% or a little over that isn't

listed anywhere. Where would a guy like me find the gas tax transfer? Is that included in this somewhere? I don't understand where that other 25% is.

• (1620)

Ms. Sherry Harrison: Could you just clarify where...?

Mr. Mike Wallace: It's on pages 4 and 5.

Ms. Sherry Harrison: That's in the estimates?

Mr. Mike Wallace: Yes.

Table 4, at the bottom of page 4, says, "Transfer payments... \$158.8 billion".

Then, at the top, it says, "Major Transfer Payments", and it describes them: up to \$115 billion, which accounts for 73%. I want to know where a guy like me can find the other 25%-plus; where it is, where it goes, and who gets it in those transfer payments.

An hon. members: To the Liberals.

Mr. Mike Wallace: To the Liberals: that's a good idea.

So that's my first question: where would a guy like me find out how much of the gas tax, for example, is transferred to the provinces annually?

Mr. Chris Forbes: There are other transfers—non-major transfers—that different departments give, and you'd have to go to the estimates for individual departments. For example, Human Resources and Skills Development transfers money to the provinces under labour market agreements. Those will show up. They're not considered major, based on their size, but they involve about \$500 million per year. They'll show up in numerous places.

Mr. Mike Wallace: So anything under \$1 billion isn't showing up here. Is that what you're telling me?

Mr. Chris Forbes: Some of them might be bigger than \$1 billion. I'm just saying there's a range. The large ones we put in there, and I'd have to go back to that table.

Mr. Mike Wallace: Well, there are some here that are \$0.2 billion or \$0.3 billion.

The Chair: This is your last question.

Mr. Paul Rochon: The gas tax is the one main transfer that in the budget we consider transferred to other levels of government, but that in the main estimates you'll find in the departmental tables.

Mr. Mike Wallace: I have one last question, since I'm running out of time. The benefits we pay to the elderly out of government are very large, and are more than the transfer for health tax. Do we have a projection of where that's going over the next number of years?

Mr. Paul Rochon: Yes, we do. There are projections in the budget through 2014-15. Elderly benefits, we project, will be \$45.2 billion in 2014-15.

Mr. Mike Wallace: So that's another \$10 billion.

Thank you very much.

The Chair: Thank you.

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

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

Ms. Harrison, thanks for being here today. I have just a quick question, and because of the lack of time, I ask you to follow up with information to the committee.

It's the second-to-last paragraph in your opening statement, where you talk about the increase of \$16.7 million in the operating vote. My first question is this. Can we have this broken down? Unless I've missed it, I don't see a line item of these within the operating expenditures. I will say that it's a significant increase, and we've had real problems with significant increases in departments that are then facing what we're being told would be a freeze next year. The comment is that it's significantly high, so I'm wondering if we can get a line-by-line item of these you've listed out, to see what the \$16.7 million accounts for.

Perhaps you can answer in writing to us, in that submission, why part of this is funding for the Canadian securities regulator, when we actually have two separate pieces associated with Canadian securities regulation proposals.

Third is workload in support of the economic action plan and a couple of other things, so my final point is that you say these are time-limited. The economic action plan's huge ramp-up was last year, so I'm not sure why there has to be an increase in the workload associated with it this year. Could you address that in your answers? I would have thought you'd at least have the same, given that the heavy ramp-up was last year.

If these are indeed time-limited and these departments are facing a freeze next year, can we get a commitment that, because these are time-limited, the freeze—the budget that's actually frozen next year—will in fact be \$16.7 million less?

I believe you can respond in writing. I know it's difficult, but we're so short of time in this environment that I don't want to take away from my colleague.

Ms. Sherry Harrison: Okay. I'd be pleased to respond to the increases. Many of them were included in supplementary estimates last year and are sunseting this year.

Ms. Martha Hall Findlay: Okay; so even if it's pointing in the right direction. When would you be able to respond to the committee with that? A week, two weeks...?

Ms. Sherry Harrison: Within a week or two.

• (1625)

Ms. Martha Hall Findlay: Fantastic. Within a week would be really helpful, please. Thank you.

The Chair: You have two and a half minutes.

Hon. John McKay: I have just a quick question on the securities regulation piece, which I think is a good idea. You've divided it into two parts: \$150 million and \$11 million—one for a transition office, and then what it says here is establishment of a Canadian securities regulation regime. What's the difference between a transition office and establishment in the first place? I don't quite understand why you divided it into two votes. Why isn't it just \$161 million?

Mr. Jeremy Rudin: Both of these are a statutory authority, which was granted by Parliament in the budget bill for 2009. The transition office is an organization, which is set up. It has a three-year mandate. Its job is to lead the effort of the federal government to create a Canadian securities regulation regime. It is charged with advising the government on the drafting of the Canadian securities act. It has an advisory committee of participating jurisdictions with whom it meets to discuss these issues. It is also obliged to publish a plan, a transition plan, within a year of its establishment. That deadline will be this coming July.

The budget bill gave it a total budget of \$33 million, and \$11 million is its plan for expenditures in the current fiscal year.

Hon. John McKay: So if Mr. Paillé got his way, would any of this money be spent?

He's wrong, but nevertheless, would he?

Mr. Jeremy Rudin: The government's plan is certainly to continue with the work of the transition office. We need to complete the draft securities act and come up with a transition plan, moving forward to negotiate memoranda of understanding with the participating jurisdictions. This will be quite a lot of work. We expect that the transition office will expend the full amount of its budget in the fiscal year.

The \$150 million was also authorized in the 2009 budget bill, and this is to allow the Minister of Finance to make payments to participating provinces and territories.

The Chair: You have about twenty seconds.

Mr. Massimo Pacetti: OSFI generates revenues for you, doesn't it? Should it be revenue-neutral?

Mr. Jeremy Rudin: The largest part of OSFI's expenditures are paid for by assessments on the financial institutions themselves.

Mr. Massimo Pacetti: Is this the net or is it...?

Mr. Jeremy Rudin: No, there's a very small amount of work that OSFI does, which it does on behalf of the government, providing actuarial services related to government programs. Those are not paid for by an assessment on the financial institutions, but they're paid for by the government.

Mr. Massimo Pacetti: I have a quick question on Mr. Wallace's point regarding the internal charges. If there's an increase in the charge for internal services, but there's not going to be an overall increase, shouldn't we see a decrease somewhere else? Shouldn't Mike be able to see it somewhere else?

Mr. Jeremy Rudin: I'm sorry, this is related to FINTRAC?

Mr. Massimo Pacetti: Yes.

While I'm waiting, just a quick question. Once a year, Canada Hibernia development tables a report. Has anybody ever heard of it?

The Chair: Can we just be very brief? We're well over time.

Mr. Massimo Pacetti: I just don't see it anywhere. Does it cost the government any money?

The Chair: Let's start with Ms. Baxter.

Ms. Margaret Baxter: The adjustment between internal services and the program wasn't related to a decrease in costs in the organization. It was simply changing the allocation of our IM/IT costs and allocating it to the program areas. The costs in the IM/IT shop that support the program areas are allocated to the program, as opposed to internal services, so there wasn't a decrease overall in the costs related to that.

The Chair: Just very briefly, sir.

Mr. Richard Botham: The Canada Hibernia Holding Corporation finances its activities out of retained revenues, and so there isn't an appropriation for that.

The Chair: Thank you.

Monsieur Généreux, s'il vous plaît.

[Translation]

Mr. Bernard Généreux (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, CPC): Thank you, Mr. Chair.

Is it true that transfers to the provinces increased by more than 40%, particularly in the case of Quebec? A total of \$6.8 billion has been paid out to the provinces since 2006, solely for Quebec. Is it true that it will continue to increase in the future?

• (1630)

Mr. Chris Forbes: The transfers will continue to increase, yes. The growth rate of health transfers is 6% a year.

Mr. Bernard Généreux: Has that already been decided?

Mr. Chris Forbes: It is in the legislation, until 2013-2014. Even the social transfer will increase by 3% annually. Equalization increases with the GDP growth rate. Consequently, transfers will increase in the future.

Mr. Bernard Généreux: I would like to say something quickly to Mr. Paillé. You talk about Quebec hitting a dead end within Canada, but the figures speak for themselves. I do not think Quebec is really on the wrong track within Canada when you look at the figures.

I have another quick question. You talk about a \$4-million increase in funding for parents and families, which brings the budget to \$225 million. The number of children who will be affected by this budget increase—

Mr. Chris Forbes: Pardon me, but which program are you referring to?

Mr. Bernard Généreux: Oh, you do not have that document. It is in the main estimates. It is the children's special allowance, which provides funding to foster parents, group foster homes and institutions for the care of a child. A \$4-million increase was planned in the last budget. How many children will that—

Mr. Chris Forbes: I am not familiar with that program. We can look for the information. Is it in the Department of Finance's budget or the government's?

Mr. Bernard Généreux: The Department of Finance's.

Mr. Chris Forbes: We can find that information.

Mr. Bernard Généreux: I would have liked to know how many families that would help and, more specifically, how many children.

[English]

The Chair: Thank you.

I want to thank you all for coming here this afternoon and answering our questions.

We do have to vote on the estimates by May 31, so if we could have those answers before then, Ms. Harrison, that would be very helpful.

Colleagues, we'll suspend for a minute, and we will ask CRA to come to the table.

- _____ (Pause) _____
-
- (1635)

The Chair: I call this meeting back to order.

Continuing our discussion on this year's main estimates, we have with us the Canada Revenue Agency. We have a statement by Mr. Dinis, the Deputy Assistant Commissioner of the finance and administration branch.

Welcome to all of you.

Please begin with your opening statement.

Mr. Filipe Dinis (Deputy Assistant Commissioner, Finance and Administration Branch, Canada Revenue Agency): Thank you, Mr. Chair.

Good afternoon, and thank you for the opportunity to appear before the committee to present the Canada Revenue Agency's 2010-11 main estimates and to answer any questions you may have.

[Translation]

Before I begin, I would just like to take a moment to introduce the other officials that I have here with me today: Brian McCauley, Assistant Commissioner of the Legislative Policy and Regulatory Affairs Branch, and Richard Case, Director General of the Finance and Administration Branch.

[English]

Mr. Chair, as you're aware, the CRA is responsible for the administration of federal and certain provincial and territorial programs, as well as the delivery of a number of benefit payment programs. Each year the CRA administers billions of dollars of tax revenue and distributes timely and accurate benefit payments to millions of Canadians.

In order to fulfill this mandate, the CRA is seeking the approval of a total of \$4.5 billion in resources through the 2010-11 main estimates. This represents an increase in its main estimates authorities of \$88.5 million, or 2%, over the previous year. The largest component of this charge is represented by two transfer payment programs, which account for \$54 million of the total \$88.5 million year-over-year increase in the CRA's authorities.

The first represents payments for the children's special allowance, which is expected to grow by \$4 million, from \$221 million to \$225 million, owing to an increase in the number of children eligible to receive this payment and to an increase in the monthly payment per eligible child.

The second transfer payment relates to a projected \$50 million increase in the statutory disbursements to the provinces under the Softwood Lumber Products Export Charge Act.

The remaining increases in the main estimates are accounted for by changes in CRA expenditures.

[Translation]

While 2010 federal budget initiatives will be included in future supplementary estimates, the increase in CRA's 2010-2011 main estimates over the previous year does include a total of \$9.6 million for the ongoing administration of the 2009 federal budget initiatives.

These main estimates also include \$24.7 million to fund salary increases attributable to collective agreements signed prior to the 2010 federal budget.

[English]

Also reflected is a transfer of \$22.7 million from Public Works and Government Services Canada to the CRA to fund increased accommodation in real property costs, as well as a net increase of \$22.1 million for cost recovery services provided by the CRA to various organizations.

Mr. Chair, the remaining changes to the CRA's main estimates consist of a number of offsetting amounts totalling \$44.6 million. These adjustments are primarily attributed to a number of reduction exercises and sunseting funding.

At this time, my colleagues and I would be most happy to answer any questions you may have. Thank you.

• (1640)

The Chair: Thank you very much for your opening presentation.

We'll start with Mr. McKay.

Hon. John McKay: In your ministry summary in 2009-10, you had \$5.279 billion set aside for private collections. Now you're apparently not going to use private collection. Can you explain to me the policy rationale for that change?

Mr. Filipe Dinis: Mr. Chair, back in 2008-09 the agency discontinued the use of private collection agencies. At that point in time it was part of our strategic review exercise. The agency took over those activities, and we were successful in generating ongoing savings for the government to the tune of \$8 million ongoing, so we no longer use private collection agencies to collect on student loans.

Hon. John McKay: You are saying that discontinuing the use of private collection agencies gave a net benefit to the government of \$8 million. Is that correct?

Mr. Filipe Dinis: That's right. In 2008-09 the discontinuation of the collection agencies generated a saving of approximately \$6 million, and in 2009-10 it was approximately \$11.8 million, for a total ongoing saving of \$18 million. Through the leveraging of the existing collections capacity that we have in the agency—

Hon. John McKay: So did you have to ramp up any of your administrative costs in order to be able to take over this portfolio?

Mr. Filipe Dinis: There was some funding that was provided at that point in time. However, the majority of those savings we were able to achieve through leveraging the existing staff and the existing systems we have vis-à-vis our collections activities.

Hon. John McKay: It's an interesting question as to whether you can do that, whether the cost of running a bureaucracy versus the cost of hiring a private collection agency is worthwhile. It would be an interesting exercise, but sometimes you tend to think that a lot of government costs will just get buried somewhere or other, so you end up comparing apples to oranges.

Did the agency actually conduct, or have somebody conduct on its behalf, an apples-to-apples versus apples-to-oranges comparison?

Mr. Filipe Dinis: In developing the proposal, the agency actually did an apples-to-apples comparison. In other words, the previous approach that we had—i.e., using the private collection agency... which, by the way, was something that came over to the agency at the time when the government consolidated the student loans program over to the CRA.

Hon. John McKay: So that was primarily student loans?

Mr. Filipe Dinis: It was primarily student loans.

It was commission-based, so we did a thorough analysis of the methodology in calculating those commissions vis-à-vis our way of conducting business within the agency.

Hon. John McKay: Maybe you could help me with your item 1, which is "Operating expenditures, contributions and recoverable expenditures". You set it out here as \$2.9 billion; and then, under "Program expenditures and recoverable expenditures", you set out \$3.1 billion.

So on one hand you have a saving of \$3.1 billion, and on the other hand you have an expenditure of \$2.9 billion.

Can you just explain to me why you set it up that way? What's the rationale?

Mr. Filipe Dinis: Mr. Chair, the numbers that are being referenced are unfortunately an error in the printing of the actual document itself. It has been corrected since. The \$3.1 billion number is actually our reference level in 2009-10, as compared to \$2.9 billion in 2010-11.

I understand that it has been corrected and is posted on the Treasury Board website. So the display of the \$3.1 billion below should actually be the first line.

Hon. John McKay: So you should move the whole thing up.

Mr. Filipe Dinis: Correct. The full \$3.1 billion should actually be right beside the \$2.9 billion.

Hon. John McKay: I understand.

So then the net would be...it would be bracketed about \$200 million.

Mr. Filipe Dinis: The exact number is \$121 million.

Hon. John McKay: That's helpful. Thank you.

The third question I have is with respect to the children's special allowances. Is this the hundred bucks a month that the government gives each kid?

• (1645)

Mr. Filipe Dinis: The amount in question is actually \$286 per month, per child, and there has been an increase in the number of children receiving this allowance. It has gone from 53,844, more or less, to a 2010-11 projected number of 54,970.

Hon. John McKay: So it's up by about a thousand kids, and a thousand kids cost \$4 million.

Mr. Filipe Dinis: Yes. And the payment went from \$278 per month to \$286 per month.

Hon. John McKay: Okay.

My final question is about the softwood lumber, a \$50-million increase in what is essentially a very controversial program, paying out \$479 million to our good and great friends to the south of us. Why the increase?

Mr. Filipe Dinis: I think it's worth noting that the number that's reflected, the \$479 million, is indeed a projection for 2010-11. It's not the amount of actual payments that have gone out. There is an increase in the projection by \$50 million, but it should also be noted that last year's payment to the provinces, in 2008-09, was actually \$180 million. So we're continuing to work with our colleagues at the departments of finance, foreign affairs, etc., to continue to refine the projections in light of the current financial situation.

Hon. John McKay: So the real money was \$180 million, but you're projecting \$479 million?

Mr. Filipe Dinis: It was \$180 million in 2008-09. We don't have the numbers yet for 2009-10.

Hon. John McKay: I'm a bit lost here. You're going from \$180 million. How do you get up to \$479 million? That's a \$300-million increase.

Mr. Filipe Dinis: Yes. The \$180 million, that was actually paid out to the provinces, was based on a projection at that point in time of \$429 million, hence the \$50 million increase. So we—

Hon. John McKay: I don't understand. If you paid \$180 million and you projected...what did you say, \$400 million?

Mr. Filipe Dinis: It was \$479 million.

Hon. John McKay: So \$479 million: why the discrepancy?

Mr. Filipe Dinis: Well, I think that's the need for us to work with our good colleagues in the departments of finance and foreign affairs to—

Hon. John McKay: You can work with me for \$300 million; I'm a happy guy.

The Chair: We can come back to this in the next round.

Thank you, Mr. McKay.

[*Translation*]

Mr. Carrier, you have the floor.

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

Good afternoon, Mr. Dinis. Good afternoon, gentlemen.

When we met during our study of the main estimates 2009-2010, I asked a question about cigarette smuggling. I wanted to know how much revenue the government was losing as a result of the smuggling. You could not give me detailed information at the time, and you were supposed to send us your answer, which we received last week, I believe.

But those answers are evasive. You do not include any estimate of the revenue being lost. The Canada Revenue Agency seems to be minimizing the problem. You end rather tersely by saying: "In cooperation with various other government organizations, the Canada Revenue Agency will continue to maintain and enhance compliance with Canada's tobacco laws and to support its partners...". There are many good intentions, but that does not really prove that the government intends to take the issue in hand.

I want to point out that the Canadian food retailers association estimates that it is currently losing \$2.5 billion in sales. That gives you a sense of just how big the problem is. Some recognized agencies have estimated the loss of revenue. The Quebec Employers Council, for example, estimated that the federal government was losing \$1.1 billion annually, which is no piddling amount. The federation of Quebec chambers of commerce estimates that a total of \$2.4 billion is being lost by both the Quebec and federal governments.

I would like to know why the Canada Revenue Agency, which is in charge of collecting the country's revenue, is not doing more to find a solution. I know you rely on the RCMP, among others. Have you discussed the issue seriously? Have you reported this loss of revenue to the government? In times of budget surplus, it is easy to think that losing \$1 billion is not so bad, even though it is a significant amount of money, but today, there is a deficit. I cannot understand why you are not paying more attention to the problem. Can you comment on that?

• (1650)

Mr. Filipe Dinis: Mr. Chair, I will ask my colleague, Mr. McCauley, to answer that.

[*English*]

Mr. Brian McCauley (Assistant Commissioner, Legislative Policy and Regulatory Affairs Branch, Canada Revenue Agency): I would make two or three observations.

First, the agency has acknowledged, and certainly does acknowledge, that contraband is a serious problem. We differentiate from the fact that we don't do revenue projections. We don't do revenue projections on any of our... Whether it be the income tax or GST or corporate side, revenue projections are the responsibility of the Department of Finance.

That being said, I think we're clearly on the record of having identified contraband as being a serious problem. The agency, as you know, is responsible for essentially the control of legal tobacco, and in that regard the agency has significantly tightened the licensing regime for manufacturers across the country in the last couple of years. I think we're down now to 33 licensed manufacturers in Canada, down from a high of over 70, I think, four or five years ago.

We are also, hopefully, when the budget bill is passed, introducing a new stamp, which will—hopefully, again—enhance control across the country. Provincial partners hopefully will be coming on board with that.

We've also introduced a growers program where there is outreach to growers—primarily in Ontario, but a few in Quebec as well—who grow tobacco, and putting in place measures that ensure that any tobacco that is grown has to find its way to a legal manufacturer.

At the same time, we are participants on the task force that Public Safety has created that I'm hoping will probably provide recommendations soon publicly to take further actions. And you're right, we do work closely with the RCMP and the provinces on the enforcement side of things.

It's not that we don't take it seriously. Certainly our minister and ministers before have made sure that it is and always is seen as being a priority for the agency.

[Translation]

Mr. Robert Carrier: Thank you. I would remind you that we do not have much time.

In the notes I gathered, there was a Bloc Québécois publication from 2005. At the time, I thought that it was looking rather far into the future. Back then, it denounced the situation, estimating the loss of revenue to be \$2.5 billion. So the problem is not a new one that the agency is trying to solve.

Can you at least confirm the figures being put forward regarding the lost revenue? Do you agree with that estimate, as experts in revenue collection?

[English]

Mr. Brian McCauley: I probably don't consider myself an expert in any area, perhaps, but in terms of revenue—

Mr. Robert Carrier: Why are you here?

Mr. Brian McCauley: I'm here to answer as best I can any questions you have.

I think what we have said is that it's very clear when one looks at what has happened to the revenue slope for tobacco, both for the federal government and for provinces, there has been a very steep decline. The revenue losses, if you look at actuals, are certainly in the hundreds of millions, if not greater.

That being said, we have a program that's in place, a strategy that was introduced. It is having certainly some effect, and in fairness we are seeing some growth in the legal market in tobacco, which is showing some early signs....

But is the problem fully dealt with? No. Is there more work to be done? Yes. Certainly that's what we'll be doing.

[Translation]

Mr. Robert Carrier: I want to come back to the matter of the amount allocated for the reimbursement of softwood lumber collection costs.

The \$400 million figure was one of the answers you gave me in response to questions about the supplementary estimates. According to the figures you gave us earlier, \$180 million was actually spent last year. And this year, you are giving us \$50 million in supplementary spending in addition to the \$425 million—those expenditures were also mentioned by Mr. McKay.

I want to know where those figures came from; they seem rather out there and somewhat undermine the credibility of the information you gave us overall.

• (1655)

Mr. Filipe Dinis: Mr. Chair, as I said earlier, we, at the Canada Revenue Agency, want to work very closely with staff at the Department of Finance and the Department of Foreign Affairs and International Trade to produce more accurate figures. We have already entered into discussions with them, and we hope to be a little more accurate in our projections.

But it is a program that we administer for the government, and they are, in fact, projections that we receive from our colleagues.

[English]

The Chair: Okay.

Mr. McCauley, briefly.

Mr. Brian McCauley: Just to clarify, the projections there are only estimates of the amounts that might be levied on exporters. The program is fairly simple. The money is levied on the exporters and then collected by the Canada Revenue Agency, costs are removed—which are somewhere between 6% and 10% depending on the year—and then all of that money is given back to the provinces from where the moneys came. So if, for example, a number ends up being 760, or 220, the actual number is what is actually collected by exporters and then remitted back to the provinces. So there is never any differential that is left with the agency or with the producers or the provinces.

As you can well imagine, the lumber market, given what's happening in North America, has been very volatile. That's probably why you are seeing some wild swings in the projections.

The Chair: Thank you.

Mr. Wallace, please.

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

Thank you for coming this afternoon and providing this opportunity to talk to you.

The \$136 million for capital expenditures: what are you spending the money on?

Mr. Filipe Dinis: Mr. Chair, the \$136 million is something new to the agency vis-à-vis how we're showing it in our main estimates. Previous to that it was part of our operating vote. This year, for the first time, we're establishing a dedicated capital vote and that's the \$136 million.

Mr. Mike Wallace: So it was in there before and you just pulled it out.

Mr. Filipe Dinis: That's right. So it's not an increase in our authorities. It's really moving the \$136 million from our operating vote into our dedicated capital expenditures, which would be spent on IT systems and projects.

Mr. Mike Wallace: Can I ask you why you did that? Was somebody asking you to do that or did you do it on your own?

Mr. Filipe Dinis: Mr. Chair, in discussions with the Treasury Board Secretariat it was determined that it would be appropriate for us to do so from a transparency perspective to Parliament. So we're pursuing that.

Mr. Mike Wallace: I looked through your estimates here, and in all but one program area, you have, over time, reductions in staff. You have a little bit of an increase on the taxpayer collection part. Are you projecting this reduction in staff just through retirement, or how are you planning on handling the HR aspects of what's happening?

Mr. Filipe Dinis: Mr. Chair, we're not predicting any reductions in staff at the agency. We have a really strong track record in the agency of retaining our staff, qualified staff and skilled staff. There is no intention to reduce staff at this point.

Mr. Mike Wallace: No, I don't mean.... I mean in future years, when you look at all your programming. Right in my little book here, it has HR equivalents, or FTEs, and in 2011-12 they all reduce but in one program area.

I'm not asking you whether you're out there firing folks, but is this basically looking at retirements not being filled, or do you have any idea?

Mr. Filipe Dinis: We have an attrition rate of approximately 5% in the agency. That's probably a reflection of what you're seeing.

The other element that I would like to flag is that the area of internal services is probably one of the areas where there is an increase, and that's basically because of the accountability to deliver on some of the major programs that we have.

Mr. Mike Wallace: Based on Mr. McKay's question, I have one of the agencies that we took back right down the hall from me at my office in Burlington. They were anxious to talk to me when we were making the decision. They were questioning the cost, but they were questioning our effectiveness in collecting the amount of money. Are we able to collect the same volume of cash from delinquent student accounts as they were, or are we ahead or are we behind?

Mr. Filipe Dinis: Mr. Chair, when we made the proposal and subsequently accepted in terms of taking responsibility for the student loan programs, there were specific targets that were given to us as an agency vis-à-vis the subsequent years further to that decision since 2008. In all of those years, we've been able to meet and exceed those targets.

• (1700)

Mr. Mike Wallace: Okay, thank you.

My final question is about the future-oriented non-tax revenue—on the back page of your report—which shows that you are able to generate non-tax revenue for the agency of \$572 million from a variety of areas. There are fees for administration, fees to Canada

Pension, fees for other government departments, provincial programs, ruling fees to taxpayers. I don't know what that means. Are these fees set by policy, or do you as an organization sit down and say, "Hey, maybe we can make more money this year if we charge this"? How does this \$572 million get generated, and what's its future?

Mr. Filipe Dinis: Mr. Chair, the cost recovery mechanisms we have in the agency vary. Our biggest component is our relationship with the Canada Border Services Agency, whereby we provide ongoing support and systems integration further to the split that occurred a few years back. In addition to that, we do enter into some arrangements with certain provinces in order to undertake work in specific areas such as aggressive tax planning, for example. We also have an area within the agency that Mr. McCauley is responsible for, which is the income tax rulings area, whereby we provide advanced income tax services.

Mr. Mike Wallace: Are those fees set by you guys or is it by policy, by government? How are the fees determined?

Mr. Brian McCauley: They're set at a market rate in discussion with Treasury Board and practitioners to be reasonable, and I think we're currently.... I think it's about \$125 an hour, but we can confirm what the rate is. But as you know, we're not allowed to charge fees that make a profit. We're allowed to charge a fee that covers our cost for delivering a service, and we're not allowed to run a profit. So therefore they're fees that reflect our true costs and do not have a profit margin.

Mr. Mike Wallace: Thank you.

Do I have another minute?

The Chair: You have a minute, if you want it.

Mr. Mike Wallace: I have another minute?

The....

An hon. member: [*Inaudible—Editor*]

Mr. Mike Wallace: No, that's good, Mr. Chair.

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

Mrs. Hughes, please.

Mrs. Carol Hughes: Thank you very much. And this time I will keep my time.

I have a couple of questions. I want to go back to the Softwood Lumber Products Export Charge Act. You have the estimates here, and yet, as Mr. Carrier has indicated, on March 18 you did indicate that it was \$180 million for 2008-09. For 2009-10 you expected it to be—and this is what I quote from you—"188 million".

So knowing that it's only \$8 million over, why would you still ask for \$479 million—like, \$50 million more than last year's estimate? If I were to do that with my grocery budget, I wouldn't be able to sustain the rest of my expenses. I'm just trying to get some sense of this. Are you expecting a massive amount coming in, or...?

Mr. Filipe Dinis: Mr. Chair, it's really a question of timing. We're in discussions with our colleagues, and in terms of the timing of the main estimates, we just haven't concluded those discussions in terms of bringing further precision to the estimates. But we do plan on being in the position in the near future to bring precision to this.

Mr. Brian McCauley: Maybe it's the way they're presented. These aren't our expenses. What we're trying to do is make a provision that the agreement requires that exporters pay the levy. We collect the levy. We then calculate the expenses that the Government of Canada incurs to administer the program. Everything else then is returned back to the provinces.

This was an estimate done by Finance and DFAIT, I guess, some time ago saying, well, we expect the levies for the year will be around \$470 million. So that's a provision that would allow for that money to come in and go back out again. But if the actual is \$188 million or \$210 million, then our expenses come off—ours, Justice, and DFAIT, I think, are the three big ones—and then all the net moneys....

Every quarter we have to account to all of the provinces, and the money is sent back out. So it's something that hopefully will be fixed, but as I said, it's been a very difficult couple of years to try to estimate lumber exports, as you can imagine, down into the States. But it is not an expense number.

• (1705)

Mrs. Carol Hughes: At the end of the day, you still have to have some figures in place. I'm just saying that these figures are quite a bit out of whack, so it's something to consider. I don't know why you would ask for more in the main estimates when you didn't even approach that last time. I don't know; it's not right.

I'm just wondering if you could tell me your projected HST income in Ontario with the new tax coming in, how much that is. And what are you expecting if everything works out with B.C.?

Mr. Filipe Dinis: Mr. Chair, unfortunately, we don't have projections in terms of the added revenues as a result of harmonization, but I can commit to come back with a response.

Mrs. Carol Hughes: You don't have them here or you don't have them at all? I'm just trying to figure it out. To me, if you're looking at a budget, then you're anticipating getting this extra income, and I'm wondering how much that is.

So you do have the numbers somewhere, or you don't have them?

Mr. Filipe Dinis: It is likely that we do have the numbers somewhere. I'd have to go back and come back to you with that. I believe we do have the numbers, but I just don't have them with me. We would speak to our colleagues in Finance and provide you with those numbers.

Mrs. Carol Hughes: Okay. I'm hoping that you have the numbers, not "likely".

I also want to talk about the ombudsman's office. According to your main estimates for 2010-11, you're looking for \$3.2 million for the taxpayers' ombudsman. That's a decrease of \$80,000, or 2.4%, from last year's estimates. I'm just trying to get some sense as to why that is. I would tend to think that normally, because this is a new office....

Is the demand not there? Is that why you see a decrease?

Mr. Filipe Dinis: Mr. Chair, the reason for the decrease is likely, as the member indicated, refinement in the budget of the ombudsman when it was first established a year ago. There was a projection in terms of how much was required, and what's reflected there is probably an adjustment after one year of operation. There were also some start-up costs that were included in the first year that aren't reflected any more, and that's probably the difference.

The Chair: You've got one and a half minutes.

Mrs. Carol Hughes: Okay.

Just to continue on that as well, I'm just wondering, what's been the impact of the taxpayers' ombudsman's office?

Mr. Filipe Dinis: Mr. Chair, unfortunately, I'm not in a position to respond to that. I'd be well positioned to speak to some of the financials, but I'm not in a position to speak to that one.

Mrs. Carol Hughes: What about the benefits for the taxpayers? Are you able to talk about that? I know that my office in Elliott Lake certainly has referred or made use of those services. I think that a lot of people still don't even know that this taxpayers' ombudsman is there, so I was just trying to get some sense of it.

Mr. Brian McCauley: The ombudsman does operate quite independently, certainly autonomously of the agency, but he does have a separate website.

Didn't he just issue his report? Is that public yet, do you know?

At any rate, we will get back to the committee about the website, his reports, and other information where I think he expresses what his business has been and the value he thinks he has generated. We could certainly provide that to the member.

Mrs. Carol Hughes: Thank you.

Are there still a couple of minutes?

The Chair: You have 30 seconds.

Mrs. Carol Hughes: Does that include his minute?

According to the main estimates 2010-11, the CRA is seeking \$931 million for reporting compliance, an increase of \$8.7 million. Why is the amount requested for reporting compliance 0.9% higher than that requested in the main estimates for 2009-10, and what specific activities would the money be spent on?

Mr. Filipe Dinis: Mr. Chair, the funding that's being required is to continue to do the work we do on various fronts. In particular, over the last little while we've had some focus on aggressive tax planning and other measures. That is what you see reflected there, our ongoing efforts in ensuring compliance and fairness with the tax system.

• (1710)

The Chair: Okay. Thank you.

We'll go to Mr. Pacetti, please.

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

Thank you, witnesses.

I have more of a bookkeeping question first. On page 4-2 you have the payments to provinces under softwood lumber, the \$479 million. Where would that \$479 million be on page 4-4? You have it split in "Program by Activities", but where would it be included?

Mr. Brian McCauley: I think it's included in my budget, which is....

Mr. Filipe Dinis: The assessment of returns and payment processing.

Mr. Brian McCauley: So the number would be in there.

Mr. Massimo Pacetti: In the \$621,671,000—or the total of \$601,180,000, correct?

A voice: Correct.

Mr. Massimo Pacetti: Okay, as long as it would be included in there, in those numbers, on balance.

In the end the numbers we're looking at are the \$2.992 billion plus the \$136 million versus the \$3.1 billion. Pretty well your operating budget hasn't really gone up, or you're not asking for an increase.

Because of the program freezes, what is going to happen next year? Will you be able to survive with this? With the Finance officials, we saw FINTRAC, OSFI, the Auditor General, all asking for huge increases.

Mr. Filipe Dinis: Mr. Chair, one of the components of our operating budget showing a decrease is related to the establishment of the capital we both referenced earlier.

Mr. Massimo Pacetti: But if I take the \$2.9 billion and I add the \$136 million, you're still pretty even.

Mr. Filipe Dinis: Right. That's right. As it relates to the impacts in future years, we are looking—

Mr. Massimo Pacetti: That's unless you're telling me—sorry—that the previous year's \$3.1 billion is more than \$136 million of capital expenditures.

Mr. Filipe Dinis: No. The \$136 million is indeed embedded into the \$3.1 billion from last year's main estimates.

Mr. Massimo Pacetti: Okay. So are you going to be able to survive with the same operating budget?

Mr. Filipe Dinis: Mr. Chair, one of the challenges we have is obviously looking to meet our commitments in delivering our programs under a very tight fiscal situation. We are looking at all opportunities in the agency to become more efficient. We do that on

a regular basis. At the end of the day we will be looking at possible realignments to priority areas.

In addition to that, it's worth noting that, as we traditionally do, we will come forward in our supplementary estimates process with requests for funding for any new items that were announced.

Mr. Massimo Pacetti: Okay. So what are those going to be?

Mr. Filipe Dinis: In terms of the budget measures that were established recently in the 2010 budget, we're in the process of arriving at an estimate for those.

Mr. Massimo Pacetti: What we've seen in the past, and it's one of the questions I have, is some of these little gimmicks the government's been putting into the tax return. I know it costs tons of money for your agency, and we don't see that anywhere.

For example, we know that with the advertising there was a whole bunch of money spent. I think it was \$8 million, \$9 million, \$10 million, or up to \$15 million by some accounts for advertising for tax-free savings accounts. Just the implementation of that, in my understanding, the computer program related to the tax-free savings account, the last time I checked, was about \$20 million or \$25 million. I lost count. In previous years we've had to invest all kinds of money, whether it be for the sports tax credit, fitness credit, the public transit credit. So I'm not sure if these gimmicks are worthwhile or if there's a cost analysis put together.

Finance says no, and you guys say, well, we just go ahead and plough through whatever the government decides to introduce as a tax measure.

Mr. Filipe Dinis: Mr. Chair, when we are asked to deliver on programs on behalf of government, we do our best to arrive at the proper estimates. We are an IT-enabling organization, so some of those costs are indeed IT-focused, for systems development. We do our best to obviously build on our reputation of being able to deliver on programs on behalf of government.

Mr. Massimo Pacetti: Do you have a cost estimate now on how much it has cost up to date to put the tax-free savings program in place?

Mr. Filipe Dinis: Mr. Chair, we do have the costs. We previously provided them to the committee. The costs for the tax-free savings account program were approximately \$74 million to put it in place over a four-year period. That's the number we have previously provided.

• (1715)

Mr. Massimo Pacetti: Is there any cost-benefit analysis for that?

Mr. Filipe Dinis: We don't perform cost-benefit analysis, Mr. Chair. We basically estimate how much it would take to put the program in place and deliver it in an effective and efficient manner.

The Chair: Thank you.

You have one more round after.

Monsieur Carrier, la parole est à vous, s'il vous plaît.

[Translation]

Mr. Robert Carrier: Thank you, Mr. Chair.

I have a question about tax returns filed electronically.

According to some reports that I have read, income tax returns filed electronically contain a lot of errors, because many invoices are not even submitted. I was wondering what your take on the situation was at the Canada Revenue Agency.

Have you studied the issue? Can you confirm that there are indeed a lot more errors or that false information is being submitted? Are you putting in place an additional program to verify information in the case of these returns, to ensure that every taxpayer is actually paying what they should?

[English]

Mr. Filipe Dinis: Mr. Chair, the agency has been growing. In the take-up on the electronic filing processes we're at approximately 58% right now. We have systems and processes in place to do validation and checks. I'm not in a position to comment on error rates; however, I am here to confirm that we do validation checks not only on the paper copies but also on the electronic tax returns that are filed.

[Translation]

Mr. Robert Carrier: Does that mean you will have to hire more staff? Under the heading "Internal Services", the total operating costs are slightly less than last year's. So we do not see that you are hiring more staff to meet that need, which is more pronounced.

[English]

Mr. Filipe Dinis: Mr. Chair, the processes that I referenced in terms of verification and validation are well-established processes within the agency. They're risk-based. We don't have plans to hire any additional individuals to do those particular functions.

As I mentioned before, any new requirements for our operating vote would be related to any new initiatives, which would come forward to the committee for approval through the supplementary estimates process.

[Translation]

Mr. Robert Carrier: I have another question. The current government has recently announced that it is doing away with tax breaks for the oil industry. So the government is sure to take in a lot more money. That affects you in terms of expenditures.

Were you consulted about that? Will you have to adjust your operations given that existing tax breaks already in effect are being eliminated? Furthermore, I would like you to confirm how much more revenue the government could collect as a result of eliminating these tax breaks.

[English]

Mr. Brian McCauley: If there are any estimates of the actual program impacts of the change of a tax credit or the withdrawal of any, they would be provided by Finance. We can certainly undertake to share the question with Finance.

In terms of administration, normally in those kinds of items, as members would know, we're consulted by Finance to ensure that we can actually administer at a reasonable cost. Something like a tax credit for a large corporation, where we're in auditing frequently with large corporations, would not ordinarily attract a lot of administrative costs, but that's something we can verify.

It would be the kind of thing that would be enumerated, as Mr. Dinis has said, Mr. Chair, in the supplementary estimates, in which we would have to specify exactly what the cost of each measure would be to administer.

The Chair: We'll go to Mrs. Block, please.

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

Thank you for being here today with us.

I want to go back to a question that was asked about the fact that CRA abandoned the use of private collection agencies because they could save more money by doing it internally. Student loan debt was referenced.

What does doing it internally mean for CRA? Was there restructuring done within CRA? Are there different departments now taking care of the collection functions?

What did it mean for CRA?

• (1720)

Mr. Filipe Dinis: Thank you, Mr. Chair.

Basically, what it meant for the CRA was that we were able to leverage on the expertise and infrastructure we had already in place, which we've been using and continue to use, obviously, for our collections functions on the tax side. So there wasn't any major restructuring. There was, obviously, an increased focus on student loans, because that responsibility and accountability came over to us. We integrated it into our collections function within the agency, and now we're operating what we believe to be quite an efficient program administering the student loans and at the same time achieving some savings for the government.

Mrs. Kelly Block: My second question builds on Ms. Hughes' questions about the ombudsman. First, your stated strategic outcome is that "taxpayers meet their obligations and Canada's revenue base is protected". Under "Reporting Compliance", the estimates say, "Activities for enhancing compliance include...increasing taxpayers' understanding of their tax obligations through outreach activities, client service, and education".

Can you tell me whether there is any interplay between the taxpayers' ombudsman and the work you do in outreach and education.

Mr. Filipe Dinis: Mr. Chair, it's worth noting that when the taxpayers' ombudsman was established within the agency there was the development of a specific strategic outcome for that particular function and office. Just reading it quickly to you, it is that "Taxpayers and benefit recipients receive an independent and impartial review of their service-related complaints."

There's a specific strategic outcome and also a program activity description reflected in these main estimates.

Mr. Brian McCauley: Specifically, though, obviously there's always a good dialogue between us and the ombudsman, and if he, as part of his report or analysis, identifies something wherein it would be a benefit to us to share more or better information with taxpayers on the front end, that's the kind of information we would look to him for and certainly would want to act on. It's still early days for him, but we're hoping that this would be one of the things we'd be looking to as a benefit to improve our programs, absolutely.

Mrs. Kelly Block: I also note that you are requesting 31.7% less under reporting compliance than you were in 2008-09. Is this one of the reasons, that we now we have a taxpayers' ombudsman? Has compliance improved over time as a result of some of the education you're doing? Do you have any comments on that?

Mr. Filipe Dinis: The reflection on the decrease is likely as a result of some funding that we've received over the years to do specific compliance-related work that is sunseting. Over time we see a decrease in some of the business lines, and that's often related to the sunseting of funding that we get for a specific period of time, which may vary from a year to two to three years.

Mrs. Kelly Block: Do I have any time left?

Okay. I'm going to give it to Mr. Wallace.

Mr. Mike Wallace: I'll be quick.

If I go to the public accounts and compare your actuals to your budget from last year, are we close? How far apart are we from what you asked for last year and what you actually spent?

Mr. Filipe Dinis: Mr. Chair, we're very close. We have traditionally had some financial flexibility in the agency, but it is related to specific items that we administer on behalf of other jurisdictions. Really, those are fenced funds. From an operating budget perspective, our financial flexibility is very limited, once you account for all of those fenced funds.

Mr. Mike Wallace: My last point is this. Last year the main estimates were \$236 billion, supplementaries (A) were \$59 billion, supplementaries (B) were \$31 billion, supplementaries (C) were \$6.5 billion, and we actually spent \$309 billion. Now, the budget added a bunch of money, of course, but are we expecting from you guys a bunch of supplementaries? I have to tell you, I was a little bit perturbed at supplementaries (C), when we give you \$4 billion a year and you came back for \$10 million for computers.

In view of the finance minister's comments on restraint in the future, can we expect lower supplementaries from you guys in the coming days?

• (1725)

Mr. Filipe Dinis: Mr. Chair, as regards the supplementary estimates, we have been scrubbing the numbers heavily over the last little while, and according to our discussions with our colleagues, in central agencies the same is being done. So we're very confident that what you'll see in our upcoming supplementary estimates will be the scrubbed-down bare-bones amounts that we will require.

The Chair: Thank you.

We'll go to the last round with Mr. McKay.

Hon. John McKay: "Scrubbing the numbers" sounds a bit like what the Mafia might do to launder money.

Contributions in support of the charities regulation reform are listed as \$3 million. What's this about? Why are you contributing \$3 million to it? What are the parameters, and how is CRA involved in it?

Mr. Brian McCauley: That's, frankly, the only G and C program that exists at the agency. It has been in place for, I guess, five or six years.

Hon. John McKay: I'm sorry—what is G and C?

Mr. Brian McCauley: Sorry, Mr. Chair. It's grants and contributions.

It's the only grants and contributions program that exists at the agency. When, about seven or eight years ago, the government decided to significantly reform the administration of charities, one of the things that was decided at the time was that it would be better to spend some money out in the voluntary sector to help them actually grow their competency and actually share best practices and improve compliance amongst themselves. So it is a series of grants that are given each year across the country to different charities and law associations to advance enforcement and understanding in the sector.

Information on those is available on our website. Rather than being used to hire more administrators in Ottawa, the funds are provided directly to associations and groups to create a network and to learn.

Hon. John McKay: So it's like a Facebook for lawyers and accountants.

Mr. Brian McCauley: No, actually, it has to be sponsored by and partnered with a charitable organization. I think almost all of them have had, as you can well imagine, people who work in that sector who are very committed to the sector, and we certainly think—

Hon. John McKay: Well, certainly they are committed, and sometimes it's even a good commitment.

Where are you on the "buy low, value high" art scheme? What is happening on that?

Mr. Brian McCauley: That's a separate tax avoidance—

Hon. John McKay: It's in the charitable sector.

Mr. Brian McCauley: It is one of the schemes that is used to abuse charitable organizations, and there are others, and those are all being attacked by our compliance program branch, by audits.

There's a partnership between, as you can imagine, Chair... tackling the actual scheme and the individuals who are involved, and then our responsibility is also looking at charities who might—either inadvertently or advertently—get involved in the scheme.

As you may have noticed, there have been a number of revocations. I think we're into the double digits now, just in the past year, where we've been revoking charities where they have gotten involved in these schemes. So we're doing both.

Hon. John McKay: Oh, really; and in terms of reallocation, how much money have you recovered?

Mr. Brian McCauley: I'll have to get back to you on that. I know it was in the tens, if not hundreds, of millions. We'll get you a number, because I know we do have one, in terms of what we have assessed.

Hon. John McKay: For the TFSA, there is roughly \$80 million over four years. Those are your administrative costs. Do you have a number for forgone revenues over that same period of time? The question is really how much money the government has walked away from for this program.

Mr. Filipe Dinis: Mr. Chair, again, we're not in a position to speak to the forgone revenue. That's a question that would be more appropriate for our Finance fellows.

Hon. John McKay: Speak to your colleagues at Finance, and get them to tell us. That would be nice.

Mr. Filipe Dinis: We'll bring the question back to them.

Hon. John McKay: Okay, thank you.

Madam Hall Findlay.

The Chair: Thank you.

Madam Hall Findlay, you have one minute.

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

First off, given the number of departments we are questioning that have had a significant increase in their operating budgets from last year to this, I just want to say well done. You're obviously one of the few who are reducing.

I think it's important that there be efficiencies found before somebody says, "Oh, by the way, we're going to have a freeze and a review." I say well done, that CRA has actually clearly been....

I mean, there are a lot of departments we're facing that are asking for significant increases. That really troubles me. I think it troubles a lot of people, especially when then you say we're going to have a freeze afterwards. They're padding only in time to possibly have a freeze.

So credit where it's due. We don't say that enough. I just wanted to put that out there.

I have a quick question on capital. I'm not sure if I missed it, or if somebody else asked this.

•(1730)

The Chair: Keep it very brief.

Ms. Martha Hall Findlay: Why do you have a line item now for capital, and what is it?

Mr. Filipe Dinis: Mr. Chair, it's in recognition of the fact that we are, as I indicated before, an IT-dependent organization. We undertake some significant projects and it's a recognition that this capital budget and those activities that fall under that particular new vote should be accounted for separately.

The majority of those are systems, our software packages, etc., that we develop on an annual basis, and we need to renew them annually. So we need to account for them and, from an accounting perspective, also depreciate them accordingly.

Ms. Martha Hall Findlay: Okay. Great.

Thank you.

The Chair: Thank you.

I have one very brief question on the number of people who file electronically. I think you mentioned that it was 58% last year...?

Mr. Filipe Dinis: That's right. We're at approximately 58% for the

The Chair: What do you expect it will be? Is that the 2009 tax year?

Mr. Filipe Dinis: This is probably the 2009-10 tax year. We continue to try to improve on that. We don't necessarily have a projection, or I don't have it with me, but it's something that we strive to.... There's a certain point, a certain threshold, that it's hard to go beyond, so we're trying to improve on the 58%.

The Chair: Thank you.

We appreciate you being here. If you have anything further you'd like to submit to the committee, please do so through the clerk.

Of course, the answer to Mr. McKay and Mr. Pacetti on the tax-free savings account is the thousands of people who have set aside savings for their own retirement.

Voices: Oh, oh!

The Chair: You can feel free to submit that to the committee, if you so wish.

Thank you for being with us this afternoon.

Thank you, colleagues.

Mr. Mike Wallace: Are we doing this or...?

The Chair: My understanding was that we were going to receive something from Finance within the next week—

Mr. Mike Wallace: Okay, fine.

The Chair: —unless members want to deal with it today.

Mr. Mike Wallace: Oh, and I got red-flagged, by the way.

The Chair: The meeting is adjourned.

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