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## Standing Committee on Finance

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EVIDENCE

**Wednesday, December 1, 2010**

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**Chair**

**Mr. James Rajotte**



## Standing Committee on Finance

Wednesday, December 1, 2010

• (1535)

[English]

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

This is the 50th meeting of the Standing Committee on Finance. Our orders of the day, pursuant to Standing Order 81(5), are to deal with supplementary estimates (B) 2010-2011, vote 5b under Canada Revenue Agency, and votes 5b, 7b, L12b and 25b under Finance, referred to the committee on Thursday, November 4, 2010.

I want to welcome all the witnesses.

Go ahead, Monsieur Paillé.

[Translation]

**Mr. Daniel Paillé (Hochelaga, BQ):** Mr. Chair, as I said earlier, given the fact that the report on consultations has not yet been discussed here at all, and considering that this is our last meeting of the week and that, unless I am mistaken, we will have to submit a report to the House by the end of the week, I think we should sit in camera now, despite the presence of our witnesses.

I would like us to take five or six minutes, as I have a motion to move regarding the follow-up to this pre-budget analyses report of the Standing Committee on Finance. Therefore, I move that we sit in camera for a little while, just to discuss what's to come.

[English]

**The Chair:** Okay.

Mr. Paillé is recommending that we go in camera for a very short period.

Mr. Mulcair, do you want to speak to this?

[Translation]

**Mr. Thomas Mulcair (Outremont, NDP):** Yes, very quickly. I agree with Mr. Paillé and I'm familiar with his motion. It shouldn't take very long at all.

I want to apologize profusely to the witnesses, whom we greatly appreciate. However, since the due date is tomorrow, this is a fairly exceptional situation requiring that we at least settle on an approach quickly so that we can move on to other things right away.

[English]

**The Chair:** Okay.

Can I just get the will of the committee? Do we wish to go in camera at this time?

**Some hon. members:** Agreed.

**The Chair:** Thank you.

I do apologize sincerely to the witnesses. I would ask you to briefly step outside. We will resume as quickly as possible.

[Proceedings continue in camera]

[Public proceedings resume]

• (1540)

**The Chair:** I call back to order this meeting of the Standing Committee on Finance.

We have officials here from the Canada Revenue Agency, the Department of Finance, and Financial Transactions and Reports Analysis Centre of Canada.

We thank you all for being with us here this afternoon.

We have opening statements from both CRA and Finance. I will ask the person presenting on behalf of CRA to give their opening presentation at this time.

**Mr. Stephen O'Connor (Chief Financial Officer and 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 supplementary estimates (B) and to answer any questions you may have.

I have with me this afternoon my associate, Mr. Filipe Dinis, the deputy assistant commissioner of finance and administration.

Mr. Chair, as you are aware, the CRA is responsible for the administration of federal and certain provincial and territorial programs, as well as for the delivery of a number of benefit payment programs. Through these supplementary estimates, the CRA is seeking funding for a new advertising initiative as well as the necessary resources to implement a number of legislative changes announced by the Minister of Finance in his last federal budget, the February 2010 budget.

First of all, the CRA is proposing to spend up to approximately \$5 million on an advertising campaign to raise awareness among the Canadian public, particularly in Ontario and Quebec, of the involvement of organized crime in the manufacture and distribution of contraband cigarettes and the resulting loss in government revenues that support health and social services to Canadians. The objective of this campaign is to highlight the links between purchasing contraband cigarettes and organized crime, and thereby discourage the demand for this product.

Secondly, as occurs virtually every year, the CRA is seeking funding for the implementation of the measures included in the Minister of Finance's budget. This year we're seeking \$15 million to implement the budget measures.

Although the CRA is seeking incremental funding of \$20 million for the items I just mentioned, this increase is being offset by reductions of \$19.2 million to amounts that are already available within the agency's votes, as well as the transfer of approximately \$14.3 million to other departments.

These supplementary estimates are therefore displaying an overall net reduction of \$13.5 million for the CRA's 2010-11 authorities, representing a decrease of 0.3% in the authorities granted by Parliament. Revised authorities for 2010-11 will therefore total \$4.622 billion.

At this time, Mr. Dinis and I would be most happy to respond to any questions the committee may have.

Thank you.

**The Chair:** Thank you, Mr. O'Connor.

I believe, Ms. Harrison, you'll be presenting on behalf of the Department of Finance.

[*Translation*]

**Ms. Sherry Harrison (Chief Financial Officer and Executive Director, Corporate Services Branch, Department of Finance):** My name is Sherry Harrison, and I am the Executive Director responsible for the Financial Management Directorate at the Department of Finance. With me today are officials to assist in responding to your questions on the 2010-2011 Supplementary Estimates (B) for Finance.

These Supplementary Estimates (B) reflect a decrease of \$2.031 billion from the 2010-2011 Estimates for the Department of Finance and include the payment of a \$10 million grant to the Global Risk Institute in Financial Services, which is a collaborative effort between the Governments of Canada and Ontario and the Toronto Financial Services Alliance, a partnership of the City of Toronto and the financial services industry. Additional funding is not being requested for this payment as funding is available within the vote due to re-filing of funds for the Toronto Waterfront Revitalization Initiative because those resources are not required this fiscal year.

The Estimates also include payments this fiscal year under the Bretton Woods and Related Agreements Act: \$20 million to the International Finance Corporation for the implementation of winning proposals under the Small and Medium Enterprises Finance Challenge, which was an innovative competition that scales up

financing of growth-oriented small enterprises in developing countries; \$5.83 million to the International Finance Corporation for the Fast Start Climate Change Initiative to provide technical assistance to developing countries to aid in their efforts to mitigate greenhouse gas emissions and adapt to the impact of climate change; \$285.72 million to the International Finance Corporation's Fast Start Climate Change Initiative, which will be used to provide concessional financing to the private sector in order to support clean energy projects in developing countries; \$1 million to the International Bank for Reconstruction and Development for the Agriculture Advance Market Commitment to develop an innovative financing facility for agriculture.

• (1545)

[*English*]

The expenditure forecasts of major statutory items have also been updated in the supplementary estimates as follows.

As a result of accounting changes, the estimated interest costs incurred by the Department of Finance for public debt charges are expected to be \$2.909 billion lower in 2010-11 than the estimate provided in supplementary estimates (A). The revised amount is \$28.432 billion.

Under the Canada health transfer, there are payments of \$15.712 million to the provinces of Saskatchewan and Newfoundland and Labrador as one-time payments to prevent declines in major transfers between 2009-10 and 2010-11, and fiscal equalization payments of \$509.503 million to the provinces of Prince Edward Island, Nova Scotia, New Brunswick, and Manitoba as one-time payments to prevent declines in major transfers between 2009-10 and 2010-11.

Regarding the budget 2007 temporary financial incentive to encourage provinces to eliminate or accelerate the elimination of their capital taxes by 2011, an increase of \$40.1 million is being requested. This increase reflects a carrying forward of 2009-10 payments as well as an update of provincial estimates with respect to foregone revenues from their capital tax reductions.

In budget 2010, the government committed to increase funding for FINTRAC, the Financial Transactions and Reports Analysis Centre of Canada. FINTRAC, Canada's financial intelligence unit, has a mandate to combat money laundering and terrorist financing. In support of this mandate, the request in these supplementary estimates for \$3.4 million is to enhance the centre's ability to ensure compliance with the Proceeds of Crime (Money Laundering), and Terrorist Financing Act and to help meet new responsibilities related to tax evasion becoming a predicate offence to money laundering under Canada's tax statutes.

• (1550)

[Translation]

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

Thank you.

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

We will start with Mr. Brison, who has seven minutes.

[English]

**Hon. Scott Brison (Kings—Hants, Lib.):** Thank you, Mr. Chair.

Thank you very much to our witnesses and the officials today.

My first question is about the requested increase in advertising. We have concerns about the growth of advertising spending of this government. There has been a 300% increase in advertising.

We don't quarrel with your specific proposal, but are there efforts to be made to cut advertising in other areas in order that we don't see the continued growth of spending on advertising, advertising that's increased by 300% by this government?

I would appreciate your response on that.

**Mr. Filipe Dinis (Deputy Assistant Commissioner, Finance and Administration Branch, Canada Revenue Agency):** Mr. Chair, the amount that we've reflected, the \$4.97 million at this point in time, is our best-guess estimate of what the media campaign will cost. It is our intention, obviously, to work with that amount, first of all; and secondly, should there be any flexibility or amounts that we do not use as part of this campaign, the funds will be returned to the centre. And that is also the only advertising campaign that we have planned at this point in time.

**Hon. Scott Brison:** What is the cabinet structure around expenditure review of this government? I was part of a cabinet committee for expenditure review when we were in government. It was a worthy process, even when we were in surplus, to try to reduce the cost of government. It was a little bit like being a cheerleader in a torture chamber sometimes, but it accomplished quite a bit.

What is the cabinet structure around expenditure review with this government? What I'm getting at is the overall costs across departments. What cabinet committee looks after this? Is it just Treasury Board or is there an expenditure review committee?

**Mr. Stephen O'Connor:** I'm not aware of any expenditure review committee as such at this moment in time. The Treasury Board of Canada is certainly looking at the strategic review process, which is ongoing. Regarding advertising, I understand that the Privy Council Office is providing some central management on the allocation of advertising funds.

I will add that our advertising bills have gone down. I believe in 2009-10 it was \$17 million, and now this year we are down to \$10 million.

So we are moving in perhaps the right direction.

**Hon. Scott Brison:** Within CRA?

**Mr. Stephen O'Connor:** Within CRA.

**Hon. Scott Brison:** But there is no expenditure review cabinet mechanism today.

**Mr. Stephen O'Connor:** I can only say that I'm not aware of any.

**Hon. Scott Brison:** And you probably would be, I suspect.

I remember how appreciative Treasury Board was of that committee at the time.

Is there any provision being made for a potential financial stability committee in your budget figures, Ms. Harrison? I understand from speaking with officials that there was, in fact, a plan to establish a financial stability committee here in Canada similar to those established by the U.S., the U.K., the EU, and Australia as part of their G-20 commitments, and that process was aborted by the minister.

Are there no provisions for a financial stability committee, and the funding for that?

**Ms. Diane Lafleur (General Director, Financial Sector Policy Branch, Department of Finance):** Canada already has well-established coordination mechanisms between the financial sector agencies. When we spoke actually last week, as you know, there is already a legislated committee, FISC, that is chaired by the Superintendent of Financial Institutions and brings together all of the financial sector agencies.

In addition, there is a senior advisory committee that coordinates policy work.

**Hon. Scott Brison:** But it doesn't include CMHC or the securities regulators, which would be the case compared to other countries.

• (1555)

**Ms. Diane Lafleur:** The FISC has a legislated membership. And you're correct, it doesn't include CMHC, but the SAC committee, which is not a legislated membership, has the flexibility to invite different parties depending on the agenda, the issues that may arise, and the economic circumstance that we might find ourselves in.

So there is that flexibility to invite CMHC, or another entity, should there be a need to do so.

**Hon. Scott Brison:** Thank you.

I have a question on the budget of Public-Private Partnerships Canada. We've been informed that there's been an ask to Public-Private Partnerships Canada of \$375 million for the Nova Scotia and Newfoundland energy transmission investment, for the current proposal.

Is there any provision being made to fulfill that ask?

**Mr. Richard Botham (General Director, Economic Development and Corporate Finance, Department of Finance):** As you know, the crown corporation that's responsible for public-private partnerships has issued a request for proposals. In the second round of the proposals, which closed this summer, they received about 70 applications. That crown corporation is responsible for all the decisions and due diligence related to those proposals. They make recommendations after having gone through that. They haven't finalized their work.

In terms of funds available for the corporation to carry out their work, they received funds in main estimates. So they received funds in 2009-10 and will in 2010-11 as well.

**The Chair:** You have 30 seconds left.

**Hon. Scott Brison:** The estimates for payment to Public-Private Partnerships Canada, for P3 fund investments, are \$242.5 million for the year, according to this. I'm asking this because it's a fairly small amount compared with the ask for one project.

I'm just wondering if Public-Private Partnerships Canada is able to fulfill that, because the ask and the expectation is that Public-Private Partnerships Canada will be honouring that—

**The Chair:** I'm sorry, Mr. Brison. Apparently there is a vote.

Unless I have unanimous consent of the committee, we do have to go back to the House immediately.

**An hon. member:** We'd better head back.

**The Chair:** Head back? Okay.

I apologize to the officials, but we will be back as soon as possible.

The meeting is suspended.

•(1555)

\_\_\_\_\_ (Pause) \_\_\_\_\_

•(1555)

**The Chair:** I believe I have a motion to adjourn from Mr. Menzies.

All in favour?

**Some hon. members:** Agreed.

**The Chair:** Okay.

Thank you. I apologize again, but Parliament calls.

The meeting is adjourned.

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