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Chair

Mr. James Rajotte

Standing Committee on Finance

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• (1100)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order. This is the 32nd meeting of the Standing Committee on Finance. Our orders of the day, pursuant to Standing Order 81(5), are the supplementary estimates (B) 2011-2012, votes 1b and 5b under Canada Revenue Agency, and votes 1b, 5b, and L15b under Finance, referred to this committee on Thursday, November 3, 2011.

Colleagues, we have officials from the Canada Revenue Agency for the first hour and from the Department of Finance for the second hour. We have with us two officials from CRA, Mr. Filipe Dinis, chief financial officer and assistant commissioner of the finance and administration branch; and Mr. Richard Case, director general, resource management directorate, finance and administration branch.

Welcome, gentlemen, to the committee. At this time I will give you time for an opening statement, and then we'll have questions from members.

Mr. Dinis.

[Translation]

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

Good morning and thank you for the opportunity to appear before the Committee to present the Canada Revenue Agency's 2011-2012 Supplementary Estimates (B) and to answer any questions that you may have.

Before I begin I would like to take a moment to introduce my colleague, Mr. Richard Case, the director general of the Resource Management Directorate of the Finance and Administration Branch.

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

[English]

Through these supplementary estimates, the CRA is seeking increases to the reference levels for three items.

First of all, the agency is requesting \$19.1 million for the implementation and administration of Budget 2011 tax measures that

affect individuals, benefit recipients, trusts, businesses, and charitable organizations. The funding will be used to make systems modifications, develop and implement new business processes, and update publications and information products for our clients.

Second, the agency is seeking funding to undertake planning activities for the upgrade of the personal income tax processing system. This system is integral to the delivery of CRA programs and services to Canadians, providing Canada, the provinces, and the territories with their principal source of revenue, about \$360 billion in gross income taxes annually. The system also enables the determination of eligibility for individual Canadians who receive benefit payments and tax credits each year. These upgrades will leave the CRA in a better position to address the increased number of tax filers, respond to new tax policy measures, and implement new partnership agreements with provinces, territories, and other government departments and agencies.

The third item requested in these supplementary estimates is an amount of \$1 million for the government advertising programs. This funding is intended to supplement the previously approved funding to increase awareness of tax measures in advance of the 2011 tax filing season.

Through these supplementary estimates, the agency is also seeking a vote transfer between the capital and operating votes to correctly align its base spending authorities with planned expenditures. This adjustment is technical in nature and does not represent a change in the agency's planned acquisitions, nor is it a request for incremental funding.

Finally, Mr. Chair, the CRA is requesting a transfer from its budget to the Treasury Board Secretariat of \$100,000 in support of the National Managers' Community. Medium and large departments and agencies were asked to share expenses related to the National Managers' Community on an annual basis. This funding enables the national managers' community to deliver a national program in response to government priorities. The community members ensure the operational implementation of public service renewal in each of their organizations and promote leadership and public service values.

•(1105)

[*Translation*]

These Supplementary Estimates (B) are displaying an overall net increase of \$26.2 million to the CRA's 2011-2012 authorities granted by Parliament to date. Once adjusted for these items, the CRA's revised authorities for 2011-2012 will, therefore, total \$4.497 billion.

At this time, my colleague and I will be most happy to respond to any questions from the committee.

Thank you.

The Chair: Thank you for your presentation.

[*English*]

I want to thank you for outlining the supplementary estimates (B) for CRA for the committee.

We'll begin members' questions.

[*Translation*]

Mr. Mai, you have the floor.

Mr. Hoang Mai (Brossard—La Prairie, NDP): Thank you for being here this morning and for making your presentations.

My first question concerns jobs, and therefore resources.

We're talking about \$19 million for the implementation, and I'd like to know whether there are plans to cut auditor positions.

Mr. Filipe Dinis: Mr. Chair, we haven't cut any auditor positions. It's an area that the agency still feels is a priority. We have established the link between the work done by the auditors and the funds collected by the government. However, in a perspective of realigning resources, we are looking at all the possibilities. Regardless, I can tell the committee members that the auditors continue to be a priority for the agency.

Mr. Hoang Mai: Are you saying that no cuts are planned for that area?

Mr. Filipe Dinis: At this time, we have no plans to cut auditor positions, but all departments are in the midst of budget reviews. We are examining anything that will allow us to realign resources.

Mr. Hoang Mai: England, for instance, applies a system where each dollar invested makes it possible to recover more money, specifically to avoid tax evasion.

Do you think that the Canada Revenue Agency should take on tax evasion more seriously?

Mr. Filipe Dinis: Mr. Chair, as I said, that area is a priority. The main purpose of all the resources invested from the auditors is to generate additional income for the government. It is always possible to continue to look at that as a priority.

Mr. Hoang Mai: You spoke about advertising in your report.

Is it used to inform Canadians of their obligations or their benefits, or is it used to promote those programs?

Mr. Filipe Dinis: Mr. Chair, the funds that are requested for advertising are really for generating more information for taxpayers about what they can claim. We also want to continue to publicize the

agency's electronic services and improve them for the benefit of Canadians.

Mr. Hoang Mai: With respect to electronic services, do you mean that the department is moving more toward IT for filing income tax returns or for claims?

Mr. Filipe Dinis: Mr. Chair, a lot of progress has been made in recent years in this area. Almost 60% of all Canadian income tax returns are filed with the agency electronically. We think it is still possible to increase that percentage. We would like to continue to make progress in that respect.

•(1110)

Mr. Hoang Mai: More specifically, with respect to the TFSA program, we know that there are a lot of problems when it comes to information. Can you tell us where we are with that? Are people better informed? What steps have been taken to truly resolve the problem with the lack of information or the problem with information not being sent to taxpayers?

Mr. Filipe Dinis: Mr. Chair, the agency has taken very concrete measures and worked very closely with the agency's Office of the Taxpayers' Ombudsman to resolve some of the problems. More concretely, we have increased the visibility of the information on our website, and we continue to work with the financial institutions to ensure that the information is available on their websites and that the information points to us. So we have taken proactive measures in the past few months to ensure that the information is clear and available. And if Canadians need more information, they can get it through our agency.

The Chair: Thank you, Mr. Mai.

[*English*]

We'll go to Ms. McLeod, please.

Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC): Thank you, Mr. Chair.

I was almost tempted to call a point of order. I didn't at that time, but I do want to note that it is the supplementary (B) estimates that we're here to talk about. I noticed that the questions at the start were drifting away from supplementary estimates (B), so I just want to make this comment. I think it's important that we focus on the very important job we have here today in terms of the supplementary estimates.

Having said that, I notice you talked about \$4.497 billion that is your main estimates, plus the supplementary estimates. You actually bring in approximately \$360 billion in revenue, so I think that perhaps unlike any other department, you have a very different role compared to the majority of departments within government.

Has that remained relatively stable over time, in terms of expenditures versus revenues? Can you speak briefly to that?

Mr. Filipe Dinis: Mr. Chair, our budget has grown over the last few years, but it's grown as a result of the increased responsibility that has been given to the agency to deliver some key government programs. We've just recently touched on one, and there are obviously other key programs that we've been asked to deliver on behalf of the government, some of which are the subject of our discussion here today, in particular some of the tax credits.

We continue to put a priority, as I said earlier, on increasing government revenues with the resources we've been allocated. To the extent possible, we realign those resources. When we are asked to deliver on additional government programs, it is at that point that we seek incremental revenues, but it's only at that point. Our history has been one of realigning current budgets to address additional workloads.

Mrs. Cathy McLeod: I'd like to head now to a specific item in the estimates. Frequently when supplementary estimates come to the table, it's regarding unanticipated expenditures that the departments are seeking approval for. Here you've got \$6.2 million for 2011–12 with respect to projects designed to improve and modernize IT infrastructure. To say this is additional money is a little misleading, because I understand it was really part of a long-term plan that the government originally announced in Budget 2010 to spend about \$250 million in this area. Can you perhaps comment on this particular issue?

Mr. Filipe Dinis: The agency relies on IT infrastructure to deliver the majority of its programs. The member is correct in saying that as part of Budget 2010, there were some resources set aside by the government—in particular \$251 million over nine years—for us in the agency to upgrade a 30-year-old system.

It is the key system that brings in \$154 billion. It's the system used to deliver benefit cheques to Canadians. About \$22 billion in benefits is issued every year to Canadians. This system supports that. In essence, the request that we have here for \$6.2 million represents the first draw on the \$251 million. So it's money that was planned by the government and has been set aside in the fiscal framework. It is also a work that we're undertaking in response to the OAG's 2010 report on aging government IT systems and the need to address this problem. In particular, the system that issues income tax refunds, employment insurance, and pension cheques was referenced as one of the key systems that needed to be upgraded. So this funding of \$6 million is, in essence, our first draw on funding that had already been planned for in the fiscal framework.

• (1115)

Mrs. Cathy McLeod: What can you tell us about electronic filing and where you're going with that? What percentage of Canadians now file electronically?

Mr. Filipe Dinis: Between 60% and 64% of Canadians are electronically filing their income tax returns. We believe there's an opportunity to bring that number up. I can share with the committee that our colleagues in the United States are at approximately 83%. We believe we can continue to progress towards that objective.

The Chair: Okay, thank you.

We'll go to Mr. Regan.

Hon. Geoff Regan (Halifax West, Lib.): Thank you, Mr. Chairman, and my thanks to the witnesses for appearing today.

I'm going to ask about a special category of Canadians. Thousands of Canadians who have been paying taxes in Canada for many years are now being pursued by the U.S. Internal Revenue Service for back taxes, because they also happen to be U.S. citizens or children of U.S. citizens born in Canada and considered by the U.S. to be American citizens. What are these Canadians to do?

Mrs. Cathy McLeod: On a point of order, Mr. Chair, the Canada Revenue Agency is responsible for administering Canadian tax law. We are here to talk about supplementary estimates (B). I would suggest that we are drifting way outside the boundaries of our plan for today.

Hon. Geoff Regan: I have a point or order, Mr. Chairman.

The Chair: Mr. Regan.

Hon. Geoff Regan: I've been before our committee under the estimates as a minister, and the members at that time did not stick to what was in the supplementary estimates. I've always experienced the questioning as very broad. It's one of the few opportunities for parliamentarians to question officials from the department. Of course, it's nice when you can have a minister here answering questions and being held accountable. But it's rare to have that, or even to have officials. Members ought to have the opportunity to ask a broad array of questions.

The Chair: Ms. Glover, do you have a point of order?

Mrs. Shelly Glover (Saint Boniface, CPC): Thank you, Mr. Chair.

I want to welcome Mr. Regan to this committee. It's the first time he's been here in the new session, and perhaps he doesn't realize that this committee functions very well following the rules. Although he may have been a minister, it's evident that breaking the rules is not tolerated by Canadians. This is demonstrated by the fact that the Liberal Party now has only 34 seats. We intend to follow the rules here in this committee. I'd suggest that Mr. Regan follow them as well. We're going to stick to supplementary estimates (B). If he'd like to appear when the minister is here, he's more than welcome to do so.

The Chair: Thank you, Ms. Glover.

I have Mr. Julian, and then Mr. Giguère on the same point of order.

Mr. Julian.

Mr. Peter Julian (Burnaby—New Westminster, NDP): Mr. Chair, you have long experience. You're well aware that supplements mean that you talk about the supplementary estimates as well as the main estimates. That's something that is normal. I've been here for seven years, and Mr. Regan is absolutely right. I hope you don't penalize him on his time, because I don't think the original point of order was valid.

The Chair: No, the time will not be penalized, but I will be ruling on it afterwards.

Monsieur Giguère.

[*Translation*]

Mr. Alain Giguère (Marc-Aurèle-Fortin, NDP): You answered the question, Mr. Chair.

[*English*]

Hon. Geoff Regan: Thank you, Mr. Chairman.

The Chair: It is correct that we allow a fair amount of leeway in questioning. But, Mr. Regan, that issue, which is important to me as well, as I have a lot of interest in it, is not under the administration of CRA whatsoever. So I don't see what the officials could add on that, other than to say exactly what I've just said.

Hon. Geoff Regan: This is not under the administration of CRA.

The Chair: Can I just finish my statement, Mr. Regan?

Hon. Geoff Regan: Yes.

The Chair: This is under the administration of the IRS, so I suggest that the issue is beyond the gamut of the officials here today.

• (1120)

Hon. Geoff Regan: Thank you, Mr. Chairman.

The Chair: I encourage you to try to stick somewhat to the supplementary estimates.

Hon. Geoff Regan: I will do that, Mr. Chairman. But to say that the Government of Canada doesn't have any responsibility to act and defend these Canadian citizens who are being affected by this is appalling, if you'll forgive me for saying so.

The Chair: In my ruling I didn't say that, Mr. Regan. This committee operates well because the chair seeks to apply the rules as they are.

We are here to discuss supplementary estimates (B). That is what is on the orders of the day. The issue you raise is not mentioned here or in the supplementary estimates. I mentioned to you that this issue is important to me as well, and I have raised it in other forums.

I'm suggesting that you stick to supplementary estimates (B), or something that could be within the gamut of supplementary estimates or estimates as a whole. I did not say that the Government of Canada does not have a responsibility; I said that the CRA does not have responsibility for that issue. The IRS has responsibility for that issue.

Hon. Geoff Regan: I guess I was getting at my concern about the idea this is an American government problem and not our problem. When you say it's the IRS—

The Chair: I did not say that at all.

Hon. Geoff Regan: When you say it's the IRS and not a Canadian agency, that's my interpretation.

I'll go to the questions I have on the supplementary estimates (B).

I don't need to be lectured by—

Mrs. Shelly Glover: Shame on you, Mr. Regan.

Hon. Geoff Regan: Now, let me talk about the following.

[*Translation*]

Mr. Mai asked questions about the role of auditors, and about the details concerning cuts and the impact they will have. How is it that

you have no idea, after all this time, after the government announced cuts in the agencies and departments? How is it that you're unable to tell us how many auditor positions will be eliminated?

[*English*]

Mr. Filipe Dinis: I indicated in my earlier response that there are no planned cuts from the audit perspective at this time.

I can tell the committee that we have approximately 9,000 auditors in the agency. That level has been pretty much consistent. The budget for the audit function has remained steady over the years, so I can confirm that is the base of the audit community in the agency. We have not applied any specific cuts to the auditors' function at this time.

Hon. Geoff Regan: A year ago we heard about an employee at the Department of Finance accessing the personal tax information of 400 Canadians in connection with a personal business this person had outside of work. My impression is that the person was disciplined for that.

I think Finance said they were taking action to prevent that kind of thing from happening again. Then just last month, in spite of whatever actions were taken for what happened a year ago—and I think there were similar instances in previous years—we learned that 2,700 tax files went missing after an employee of the Department of Finance took them home, electronically or otherwise, and now they're gone.

This does not give us much confidence about how information is being handled and how people are being trained. What is being done about this, and why has there not been an improvement already?

Mr. Filipe Dinis: Mr. Chair, just for clarity, while I won't speak to specific cases, the individual was a CRA employee and not an employee of the Department of Finance.

Mr. Chair, I do want to state that the CRA has strict policies governing the security, physical assets, and the confidentiality of taxpayer information. We continuously evaluate and review our security policies and practices to ensure that taxpayer information is safe and secure. Our current CRA policy speaks to the fact that protected information cannot be copied onto any other media unless it's encrypted. However, in the particular case that the member references, there was information that was downloaded onto an unencrypted CD. I can confirm that, contrary to what was reported in the media, they were not complete tax files that were downloaded. There was information related to certain personal data but it was not 2,700 tax files.

We are, Mr. Chair, currently strengthening our policies and processes to put in place mechanisms to prevent this from recurring. We are reminding staff that this is key to our integrity. More importantly, we are putting measures in place to prevent the downloading of unencrypted emails. We are also working very closely, Mr. Chair, with the Office of the Privacy Commissioner to strengthen the triggers for our engagement with that office, and we're also working with them concretely to put in place a set of criteria to assess the risk when that occurs.

•(1125)

The Chair: Thank you.

Thank you, Mr. Regan.

We'll go to Ms. Glover, please.

Mrs. Shelly Glover: Thank you, Mr. Chair, and I want to thank the witnesses for appearing here today.

I do want to take an opportunity to ask you to clarify something that's in the estimates. I note on page 32 at vote 1b, there is mention of a transfer of \$115 million from the CRA's capital vote to the operating vote. Here, I know that most parliamentarians, when we look at estimates, quite often assume—and Canadians might assume as well—that estimates mean that we're asking for more money, that the public service is needing more money for different things. I understand in this case, with this \$115 million, that it is not at all a request for additional money. So I would ask you to explain, please, and clarify what this transfer is doing.

Could you also explain where this transfer of money is coming from? That would be very much appreciated.

Mr. Filipe Dinis: Mr. Chair, first of all, I would like to confirm that this is not a request for incremental funding. That is indeed the case. The agency, up until about a year and a half to two years ago, had one operating vote, which was operating vote number 1; but in recognition of the need to be transparent in terms of our capital expenditures, we established a separate vote, vote 5, a capital vote, similar to what other departments and agencies have. As a result of that, we at that point in time estimated how much that capital should have been, and our estimate was that it should have been approximately \$203 million.

Over time, we recognized that this was something new to the agency. We understood that we needed to refine that number moving forward, because it was a significant estimate. As a result of, I'll say, an overestimation of the capital portion that needs to be accounted for, from an accounting perspective, in large IT contracts, we are now bringing further refinement to what we believe our capital vote should be going forward.

This is an opportunity for us to move \$115 million from our capital vote, where it should really not have been, to properly reflect it in our operating vote, in order for us to have sufficient funding to cover expenditures such as salaries and other operating expenditures. It is not an incremental request. It really is a technical realignment between, I'm going to say, votes.

Mrs. Shelly Glover: Very good.

This government has been very vocal about the need to be transparent and the need to be fair and to make sure that Canadians understand exactly how their dollars are being spent. It seems to me that this is a very reasonable way of demonstrating transparency and fairness.

Would you say that's an accurate assessment of what you've done here, following basic accounting principles and being transparent so that Canadians can understand them?

Mr. Filipe Dinis: Mr. Chair, I would say that is exactly the intent of the creation of the capital vote, our vote 5b, to segregate our

capital expenditures and facilitate the depreciation and the accounting aspects of our operations.

The aspect of transparency in our \$4 billion budget is just as—and probably more—important. This allows parliamentarians and the public to have a clear understanding of how the CRA budget is established and how it's accounted for from an accounting perspective.

Mrs. Shelly Glover: Very good. Thank you.

I'm very glad to hear your explanation so that everyone can understand how this actually makes the system better, but in future years do you think this kind of transfer will be used more frequently?

Mr. Filipe Dinis: Mr. Chair, our objective is to be able to make this kind of adjustment once and to be accountable for the projections that we're putting in place for both capital and operating expenditures. Our objective is to manage to these newly established budget levels and to be accountable for them exactly.

We expect this to be a one-time adjustment. However, going forward if there are other significant adjustments, we would come before the committee. But our objective is clear that we would be held to the current levels that we see after this adjustment.

•(1130)

Mrs. Shelly Glover: Very good. Thank you.

The Chair: You have 10 seconds.

Mrs. Shelly Glover: I want to thank my colleague for mentioning the need to inform Canadians about tax measures and tax-filing implementation in the discussions.

Thank you, Mr. Mai.

The Chair: Thank you, Ms. Glover.

We'll go to Monsieur Mai *encore*.

Mr. Hoang Mai: Quickly, we're talking about transparency. We're talking about informing the public. We're hearing there are funds for publicity.

Right now you know that there are allegations regarding corruption within the agency. Have there been any measures or has anything been done to inform the public that everything is all right? Have there been any measures within the agency to address that issue?

Mr. Filipe Dinis: Mr. Chair, first of all I'd like to take a moment to reaffirm the CRA's confidence in the integrity and professionalism of its employees. I believe that is key. Our success is in large part as a result of their exemplary conduct in carrying out our complex audit activities every day for Canadian taxpayers, in a manner that demonstrates integrity and professionalism. However, the agency recognizes the inherent risks associated with carrying out massive volumes of financial transactions. Accordingly we remain vigilant to uncover problems and continuously adapt to protect the tax and benefit systems. Controls are constantly being reinforced and strengthened to ensure the long-term integrity of our processes.

In regard to the allegations referred to, the appropriate measures have been taken, and we continue to cooperate with the relevant law enforcement agencies. We must not lose sight of the fact that the actions of a few in no way reflect the continued dedication and professionalism with which CRA's employees carry out their work. We are currently reviewing our audit systems and will be taking a number of important measures to improve the framework that guides the integrity of our workforce.

Mr. Chair, the CRA takes the integrity and fairness of the Canadian tax system very seriously and never loses sight of the fact that the confidence and trust that individuals and businesses have in the CRA forms the cornerstone of Canada's system of voluntary compliance and self-assessment.

Mr. Hoang Mai: I agree with you. I have total faith in the CRA and the people working there.

Can you explain to us what measures have been taken? You spoke about measures to be taken and those that have been taken. Can you expand on that, please?

Mr. Filipe Dinis: Mr. Chair, from a concrete perspective we have taken actions against those involved. As the committee may be aware, we have dismissed those who are involved. Secondly we are putting in place measures to strengthen our values and ethics framework. We are increasing and continuing to increase the competency our internal investigative capacity. We are committed to updating, monitoring, and modernizing the technology we use that enables the agency to detect some wrongdoing or breach of the CRA's code of conduct.

Mr. Hoang Mai: Thank you.

The Chair: Thank you, Mr. Mai.

Mr. Julian.

[*Translation*]

Mr. Peter Julian: Thank you very much.

With respect to the supplementary fees you're requesting, I simply want to point out that the French version of your speech says \$19.1 billion and not \$19.1 million. So when I saw the French version, I jumped.

You told us earlier that this would not be used to hire new auditors. In response to Mr. Regan's question, you said that the Canada Revenue Agency currently has about 9,000 auditors.

I'd like to know how many of them audit personal income tax returns and how many audit corporate tax returns.

[*English*]

Mr. Filipe Dinis: Mr. Chair, out of the 9,000 or so, we have approximately 8,000 or so auditors who are accountable for the audit programs and are auditing the various files, etc. We have another—and this is an estimate—approximately 900 auditors who are assigned to what we call the enforcement and disclosure program. So within that category, we have two programs, one called the special enforcement program, and the other one the criminal investigations program. That's a rough distribution of the 9,000 auditors we have in the agency.

•(1135)

The Chair: You have about 20 seconds for a short question.

[*Translation*]

Mr. Peter Julian: If we're talking about all the corporate and personal tax returns, is there an internal division for that audit?

Mr. Filipe Dinis: There is one. Unfortunately, I don't have that information with me, but I can send it to the committee. There is a division between the auditors who are assigned to businesses and auditors who are assigned to individual taxpayers.

[*English*]

The Chair: If you have that information, you can provide it to the clerk.

Mr. Julian, we will have to move on. We can come back to that in the next round. Thank you.

We go to Mr. Adler, please.

Mr. Mark Adler (York Centre, CPC): Thank you, Mr. Chair.

I want to thank the witnesses for appearing here today before our committee. We always have to be nice to the CRA.

My question is this. Historically, T1 personal income tax has always contributed the lion's share of revenues. Could you just give me an indication of the trend line of T1 revenue and the direction it's going? Then I'll follow up with a supplementary question.

Mr. Filipe Dinis: Mr. Chair, while I don't have the specifics, I can tell you that the T1 system brings in about \$154 billion. The number of tax filers has been increasing over time. We do have those volumetrics. As I said earlier, the agency has historically realigned resources internally to deal with that workload increase, but we have seen a steady growth in the number of income tax returns we process.

Mr. Mark Adler: Do you anticipate, given the demographic change that this country will be undergoing in the decades to come, with the baby boomers retiring and all of that, that we're going to see a decrease in T1 revenue possibly?

Mr. Filipe Dinis: Mr. Chair, it's very hard for me to project that, but if I were to respond I believe that the growth will continue—albeit based on the trend we've seen up to date.

Mr. Mark Adler: In terms of consumption tax, and again going back to the demographic changes that we're going to be undergoing, do you anticipate more of a reliance on consumption taxes as we move forward, or will T1 and corporate taxation still contribute enough money to the federal coffers?

Mr. Filipe Dinis: That, Mr. Chair, is something to which I really am not in a position to respond. I know my colleagues at the Department of Finance are more involved in forecasting the projections from the various tax aspects. I'm not in a position at this point to respond. My colleagues at the Department of Finance may have more insight into it.

Mr. Mark Adler: Could you then talk to me a bit about the following. You indicated it was some 60% or so are filing online and that in the U.S. it seems to be about 20% higher. Why is that? How do we compare with other jurisdictions, other than the U.S.?

Mr. Filipe Dinis: Mr. Chair, the U.S. has taken steps over the last 10 years or so to make progress along those lines. It has explored various tools, one of which is making software packages more readily available, and making it mandatory for certain taxpayers or tax preparers to use software. So there have been several measures put in place to get to the 83%. I must say it has also taken, as I understand, approximately eight to ten years to get to where it is now. However, we believe that we in Canada are very well positioned over the next few years to make similar progress.

Mr. Mark Adler: Okay.

Do I have a minute?

The Chair: You have one and a half minutes.

• (1140)

Mr. Mark Adler: In terms of letting people know that this option is available, I'm assuming that most people will have accountants or go to H&R Block or whatever, and therefore that this is all taken care of and made known to them. But for those who file their taxes on their own—and there are a lot of people, I assume, who do—is there some kind of advertising or public relations campaign under way to advise these people that they can file electronically and that these options are available to them?

Mr. Filipe Dinis: Absolutely, there is, Mr. Chair. The funding we're requesting today for advertising is definitely geared towards creating awareness of the tax credits that are available, which some Canadian citizens may not be taking advantage of and should be. It's about creating that awareness, but also creating awareness of a tool that we have in CRA that is available to all Canadians. I would encourage every member to visit the CRA's "My Account". There has been a great take-up rate through that mechanism. It is also an opportunity to encourage Canadian citizens to access their own personal information related to their tax situation.

The objective of the funding we seek is also to create awareness of our objective to provide more and more information to the Canadian public and make it available 24/7 at their convenience by electronic means. That's more or less the package.

The Chair: Thank you.

We should have time for four more colleagues. We'll keep it tight as to the time.

We'll go to Mr. Julian, and then to Mr. Marston, please.

[*Translation*]

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

I'd also like to thank Mr. Marston.

I have just a few questions, and you probably won't have the answers with you today. I'd like to know how many auditors take care of businesses and how many take care of individual taxpayers. I'd also like to know what percentage of corporate tax returns and what percentage of personal tax returns are audited. I'd appreciate it if you could provide us with that information.

My second question is about the total amount allocated to advertising. You are requesting an additional million dollars. But what is the total amount that the Canada Revenue Agency puts into advertising?

Then I'll turn it over to Mr. Marston.

Mr. Filipe Dinis: Mr. Chair, to answer the first question, we can indeed provide the committee with the information that you requested.

As for advertising, I simply want to confirm that the agency does not receive a specific amount for advertising. The advertising budget is managed by the Privy Council. So the agency, like other departments, makes its requests to obtain funds.

For 2011-2012, the advertising campaign will cost about \$7.5 million. Of that amount, \$6.5 million has already been approved by Parliament. We are asking for an additional million dollars. This is the total amount that we expect to need for this year's campaign.

[*English*]

The Chair: Mr. Marston, you have about three minutes.

Mr. Wayne Marston (Hamilton East—Stoney Creek, NDP): Sticking with the electronic filing for a moment, I have two questions. What would you say is the percentage of filing done personally by individuals as opposed to filings that go through corporations such as H&R Block?

That leads to my next question, which is, what is the quality of the filings to CRA resulting from the use of private packages that one might buy at Best Buy, or wherever?

Mr. Filipe Dinis: Mr. Chair, on the first question I commit to come back with a more specific number, but I understand that it may be that anywhere between 60% and 70% of the files that are returned to us are filed through a third party. I think it is in that range, but I will confirm it.

Secondly, in terms of the quality of the packages that are sold by third parties, what I can tell you is that there is a certification process that they need to follow. So the packages you're referring to are packages that are sold after certification by the CRA.

Mr. Wayne Marston: Great. I'm glad to hear that.

You're talking about changes to your IT services, some of which are 30 years behind. I'm glad to hear that.

I worked at Bell Canada and I transferred from the old boards with plugs to the new technology. Once we got used to it, it was really a tremendous change. I can understand your wanting to do it. In fact, you'll probably increase the rate of people filing just by having that.

I think you mentioned that you have 9,000 auditors. Do you foresee this technological change diminishing the number of these auditors?

• (1145)

Mr. Filipe Dinis: Mr. Chair, the objective of these re-engineering efforts, whether on the T1 or the business side—which also touches on the audit function—is not to have fewer auditors; the objective is to become more efficient. We're hoping that if we can leverage this upgrade in the technology, whether it's on the personal side or the business side, it will facilitate, improve, and enable our auditors to focus on the high risk areas. That is the objective of these re-engineering efforts.

Mr. Wayne Marston: Do I have a minute?

The Chair: You have a minute still.

Mr. Wayne Marston: Oh, great. I'm surprised, I was expecting to run—

The Chair: You're a very efficient man.

Mr. Wayne Marston: Do you have an estimation of the cost associated with implementing the small business hiring tax credit, and do you have any idea of the uptake of it, that is, the number of small businesses that might take advantage of it?

Mr. Filipe Dinis: Mr. Chair, I do have an estimate of the cost to implement the small business tax credit, which is approximately \$5.2 million. What I don't have with me is the uptake. This is something that we would have to take back for consideration and then come back to the committee.

Mr. Wayne Marston: Thank you.

The Chair: Thank you, Mr. Marston.

We'll go to Mr. Van Kesteren, please, for a five-minute round.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Chair.

Thank you for appearing here today. I have a quick question. The opposition was asking something about auditors going out, and I'm curious about the procedure. I think that generally we have a fairly good reputation. If you were to compare us, say, with the United States, there isn't the same level of fear—although as Mr. Adler said, there is a little trepidation.

The reason I say this is that when the Ontario government did away with the PST and adopted the GST, an army of auditors went out and targeted certain areas, the result being that many businesses were hit with.... And they can argue these and can take them to court, but it's very costly, and so they generally.... I was one of those. In the car business, for instance, we were just handed a bill: "Here's what you owe".

My first question is, how do you guard against that? I understand that there's a fine line between.... Obviously, if you owe taxes, everybody understands that. How do you guard between being a fair institution governed by the rule of those laws that we put in place in Parliament and, by getting out there and.... For instance, sometimes we've had allegations by police officers, who say they need to go out and get a quota of tickets.

How do you guard against that? How do Canadians know that the revenue agency is operating in a fair and equitable manner?

Mr. Filipe Dinis: Mr. Chair, as I said earlier, we in the agency are quite proud of the integrity of our employees. We have more than 40,000 employees in the agency in various functions, and we've referred to approximately 9,000 as being in the audit function.

We spend a lot of time and energy conveying to our employees the importance of our values and the ethics we have established in the agency. We have a very strong code of conduct that we reinforce. We also ask individuals to sign a letter, every time they're hired, that first of all they understand what the CRA's code of conduct is and that they commit to adhering to it.

We have ongoing training, which we undertake across the agency, including among our auditors, to reinforce those messages.

In a population of 40,000, including 9,000 auditors, there will always be exceptions, given the nature of our business. So we are committed to continuing to reinforce those key messages within the agency and also to ensuring that these employees fully understand the role they play vis-à-vis the integrity of an organization such as the CRA.

Mr. Dave Van Kesteren: How many of those auditors who were laid off or had their jobs eliminated when the PST was taken out of the picture were then hired by the federal government?

• (1150)

Mr. Filipe Dinis: Mr. Chair, in ballpark numbers, we had approximately 1,253 auditors who were impacted by the harmonization with the Province of Ontario. We made offers to all of those. We had more than a 90% take-up rate of the job offers made. Those individuals are now employees of the CRA and have come over. In B.C., there were more or less 270 individuals who were impacted; about 133 or so have come over to the agency.

Mr. Dave Van Kesteren: How has the transfer process in Ontario been going?

Mr. Filipe Dinis: We are quite proud to say that we believe that the transition was implemented very successfully. We spent a lot of time and energy up front in communicating with those auditors and other staff who came over from the Province of Ontario to ensure a smooth transition. In my view, they have blended very well with the CRA culture and are working side-by-side with those individuals who were CRA employees from the start.

Mr. Dave Van Kesteren: Thank you.

The Chair: Thank you, Mr. Van Kesteren.

Monsieur Giguère, s'il vous plaît.

[Translation]

Mr. Alain Giguère: Good morning, Mr. Chair.

I'd like to thank Mr. Dinis and Mr. Case for being here.

In the Montreal office, eight people were dismissed, about twenty were suspended, about thirty retired...

[English]

The Chair: Point of order, Ms. Glover.

[Translation]

Mrs. Shelly Glover: I don't see in the Supplementary Estimates what Mr. Giguère is talking about. So I would like to raise a point of order with our chair so that he can keep us on topic, since there is an inquiry under way and, obviously, we don't want to do anything that could jeopardize that. Regardless, what he said was not in the Supplementary Estimates. I'd appreciate it if the chair made a...

Mr. Alain Giguère: Mr. Chair...

Mrs. Shelly Glover: ...call for order if we stray too far from the topic of today's agenda.

Thank you.

Mr. Alain Giguère: I'm sorry, Mr. Chair, but I'm talking about the management of...

The Chair: Wait, please, Mr. Giguère. Mr. Mai would like to say something.

Mr. Hoang Mai: This is on the point of order. From the outset, Mr. Chair, you have allowed us to ask questions that are not necessarily directly related to the subject being studied. Some even came from the other side, and the witnesses answered them. It has been common practice on this committee to not necessarily always limit the debate. We saw it in the budget consultations. To be consistent with how the meeting started today, I'd ask that you allow the question.

[English]

The Chair: I have Monsieur Giguère and then Mr. Julian.

[Translation]

Mr. Alain Giguère: Mr. Chair, my question is directly related to the agenda. Supplementary estimates are being requested. But those supplementary estimates are related to management and resolving problems.

He said earlier that he was proud of his staff.

Mr. Van Kesteren asked some very specific questions about a public servant who had stolen information. I think that if we can ask questions about a public servant, we can ask questions about an office of public servants. It's still of major importance. Why should Mr. Van Kesteren be allowed to ask questions about a specific public servant, and I can't ask a question about a group of public servants who are paralyzing the work?

[English]

The Chair: Mr. Julian.

[Translation]

Mr. Peter Julian: Mr. Chair, it's very clear that the Conservatives asked questions on the same topics. I find it unfortunate for them because they are reducing the amount of time they have to speak because, at noon, we will move on to the Department of Finance. It's unfortunate for them; they'll lose a round. I hope you aren't going to penalize Mr. Giguère for the Conservative Party's intervention.

[English]

The Chair: Thank you all for your comments. It is straying somewhat from the specific estimates before us today, but it is clearly within the administration of CRA.

I am going to say to Mr. Dinis and Mr. Case that a very serious investigation is ongoing. So please say what you can, but, obviously, do not stray into areas where you may get into trouble as an organization or as individuals.

Mr. Dinis, do you want to respond to Monsieur Giguère?

Mr. Filipe Dinis: The one observation that—

[Translation]

Mr. Alain Giguère: I haven't finished asking my question.

[English]

The Chair: Okay.

[Translation]

Mr. Alain Giguère: In the Montreal office, we're talking about some thirty people who were asked to resign or who took an early retirement. We are also talking about 150 public servants who are being investigated. That's quite major.

This has been going on for six years. So I'm asking you to tell us when this will be finished. A date isn't much to ask for.

● (1155)

[English]

Mr. Filipe Dinis: Mr. Chair, first I would like to reiterate how we stand behind and reaffirm the CRA's confidence in the integrity and professionalism of its employees, including the employees—

[Translation]

Mr. Alain Giguère: Mr. Chair, he answered that question. He already gave that same answer. I know he has confidence in his employees.

[English]

The Chair: Order, order, order.

[Translation]

Mr. Alain Giguère: I'm asking for an end date for the inquiry.

[English]

The Chair: Order, order.

Monsieur Giguère, I allowed the question. It's only fair for me to allow the answer. So let me allow Mr. Dinis to answer, and you can certainly ask a supplementary question.

Mr. Filipe Dinis: Mr. Chair, I just wanted to confirm our support for our staff.

Secondly, the numbers that have been quoted in committee today are not numbers that I recognize.

Thirdly, on the question regarding when it's over, I'd like to say that the CRA takes these allegations very seriously. We are cooperating with the proper law enforcement agencies. I cannot speculate when those investigations will come to a conclusion.

The Chair: Merci.

Monsieur Giguère.

[Translation]

Mr. Alain Giguère: As for the flow of personnel, it's a problem because an employee can leave the agency to take a job in the private sector and handle the file he investigated.

Do you plan to put an end to that practice by imposing a legal opt out of two or three years on public servants? That's what's generally done in the private sector. Why doesn't the agency do it?

Mr. Filipe Dinis: Mr. Chair, this is something we want to do; it's one of the points that we're looking at. I don't want to assume what the outcome will be, but I can tell the committee that the agency is considering it for the future.

Mr. Alain Giguère: Thank you.

With respect to aggressive tax planning, a few files were shocking. I think that several sizeable instances of aggressive tax planning took place without measures being taken. Among other things, we're talking about \$200 million withdrawn in capital gains, without the slightest taxation. Unless I'm mistaken, it was generally the National Bank that was involved.

When and how are you going to put an end to these practices?

[English]

Mr. Filipe Dinis: Mr. Chair, this particular question is not something that I'm in a position to respond to. It deals with a particular tax file or tax situation. I'm not at liberty to comment on this particular file.

The Chair: Okay.

Mr. Giguère.

[Translation]

Mr. Alain Giguère: I didn't name the people who were involved in this aggressive tax planning, just the financial institution.

I would also like to know if your agency is now able to link the age of taxpayers to their income, so that you can determine whether a person is entitled to the Guaranteed Income Supplement and does not have to submit an application to obtain it.

[English]

Mr. Filipe Dinis: Mr. Chair, we are able to validate the eligibility of the individuals who are applying for this program. It's something that we do as part of our core business. We continue to refine our ability to do that. It's something that we're committed to doing going forward, as we have in the past. It's a validation check to make sure that anyone who is receiving those benefits and entitlements is indeed an individual who is entitled to those benefits.

[Translation]

Mr. Alain Giguère: My question was a little more specific.

Right now, an application has to be submitted to obtain this supplement. I'd like to know whether, by linking the age of people to their income using your lists, you could determine who is entitled to the supplement and simply give it to them, without them having to apply for it.

[English]

The Chair: A brief response, sir.

Mr. Filipe Dinis: I believe this is something that I would have to come back to the committee on. It's program-specific and I'd have to validate the response before providing it to you.

The Chair: Thank you.

Mr. Jean, unfortunately you have about one minute for a quick question.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair.

I guess all my two hours of preparation last night for this silent question was a total waste of time, unfortunately.

I'm interested in the difference between electronic filing and paper filing. Obviously I don't have time to ask the question or to get the answer, but I would ask you to provide it to the clerk or the chair of the committee, please.

I'm interested in the difference between the cost of administering an electronic filing compared to a manual filing. Are there any incentives that you provide for Canadians to encourage them to file electronically? Are there any additional compliance mechanisms? I

understand that the compliance mechanisms and audits are hugely successful. Has CRA looked at any other opportunities for encouraging people to comply outside of on-site audits, such as telephone audits or things like that? Indeed, is there any information that would suggest there is a better return on investment for Canadians through filing electronically? And how do you encourage them to do so through marketing programs and things like that? Obviously, the United States has had much greater success than we have had at that.

Finally, I understand that tax credits have been hugely successful. We heard from a transit authority, the CUTA, that said it there has been huge take-up. I find those very attractive, because if you pay tax, you obviously get a tax credit if you make use of the tax credit offered, but if you don't pay tax and you don't use it, it doesn't cost Canadians anything. Have you seen tremendous uptake of those tax credits that have been offered by the federal government over the last few years?

As I said, there's not time for an answer, but if you could forward that to the chair, I'd appreciate receiving it directly that way.

Thank you.

• (1200)

The Chair: Okay, thank you, Mr. Jean.

If we could get as much information as possible on that, and any other follow-up information, please do provide it to the clerk. We will ensure that all members get it.

We want to thank you so much for being with us here this morning.

We will suspend for a couple of minutes, colleagues, and we'll bring the officials from the Department of Finance forward.

Mr. Filipe Dinis: Thank you.

The Chair: Thank you.

We will suspend.

• (1200)

(Pause)

• (1205)

The Chair: I call this meeting back to order.

We have a second panel here to help us consider supplementary estimates (B) 2011-2012, and votes 1b, 5b, and L15b under Finance.

A number of officials are here today. My understanding is that Ms. Sherry Harrison, assistant deputy minister of the corporate services branch, will be making an opening statement, and then all the officials will be available for questions.

I'll just point out to all of the officials that the "dean of estimates", Mike Wallace, is here at the committee.

An hon. member: Hear, hear!

The Chair: It's wonderful to have him back.

Ms. Harrison, we look forward to your opening statement, and then we'll have questions from members.

[Translation]

Ms. Sherry Harrison (Assistant Deputy Minister, Corporate Services Branch, Department of Finance): Good afternoon, Mr. Chair.

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 to assist in responding to questions regarding the 2011-12 Supplementary Estimates (B) for the Department of Finance.

These Supplementary Estimates (B) reflect an increase in departmental spending of \$1.337 billion. It is noted that \$1.325 billion relates to statutory items that have already been approved by Parliament through enabling legislation. These statutory items are displayed in the Supplementary Estimates (B) for information purposes and will not be included in the appropriation bill.

[English]

For the statutory authorities, the items related to the \$1.325 billion increase are as follows: \$925.1 million in additional fiscal equalization payments to provinces that would otherwise have experienced a decline in major transfers from the federal government between 2010-11 and 2011-12. This is also referred to as total transfer protection. We also have \$536.1 million for a transitional payment to Newfoundland and Labrador under the 2005 offshore arrangement, which included the requirement for a transitional payment in 2011-12 should the province not receive equalization in that year. There are also \$151.4 million in recoverable payments to Ontario and Prince Edward Island to help mitigate the impact of revised data for the computation of equalization payments; a \$86.4 million increase in payments to provinces based on an updated payment schedule for the incentive for provinces to eliminate taxes on capital; \$33.7 million in an additional fiscal equalization offset payment to Nova Scotia under the 2005 offshore arrangement; \$18 million in additional fiscal equalization to Nova Scotia, which is related to the 2005 offshore arrangement; \$7.9 million for an increased recovery from Quebec under the youth allowances recovery as a result of updated data; \$34.6 million in an increased recovery from Quebec for the alternative payments for standing programs as a result of updated data; and a \$410 million decrease in the interest cost estimate due to a downward revision of forecast short-term interest rates.

[Translation]

The \$7 million increase in voted grants and contributions is related to the Harbourfront Centre funding program. This program was renewed in Budget 2011 for five years at \$5 million per year from 2011-2012 to 2015-2016. An amount of \$2 million was reprofiled from 2015-2016 to ensure that sufficient funding is available to meet the quarterly advance payment regime of the renewed program.

The operating vote reflects an increase of \$4.9 million. This increase is comprised of government advertising programs, ongoing activities related to the HST, a reprofile of funds for the task force for payment systems review from 2010-11, and the project office for the departmental move to 90 Elgin.

[English]

The wording for non-budgetary vote L-15 is being amended to increase the total amount payable to the International Development Association, from \$384.2 million to \$441.6 million, to reflect the sixteenth IDA replenishment. This change is represented by a dollar item in the supplementary estimates because it signifies a modification of authority embedded in existing legislation.

We'd be pleased to address any questions the committee may have on these supplementary estimates.

● (1210)

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

We'll start members' questions with Mr. Julian. I'll just encourage all members to stick as closely as possible to the estimates we are considering here today.

Mr. Julian, please.

Mr. Peter Julian: Thank you, Mr. Chair, and I certainly will.

I wanted to start by looking at the Auditor General. The total budgetary allocation is \$88,736,000. Is that the total that was provided to the Auditor General?

Ms. Sherry Harrison: Mr. Chairman, we were asked today to appear concerning the Department of Finance's supplementary estimates. I don't have an official here with respect to the Auditor General's estimates.

Mr. Peter Julian: No, but the amounts are on page 52 of the supplementary estimates. Under Auditor General, it shows program expenditures of \$78,297,061. I'm just looking for that supplementary estimate.

Is that the allocation that goes to the Auditor General's office?

Ms. Sherry Harrison: In the estimates, that number reflects the authorities to date this fiscal year for the Office of the Auditor General.

Mr. Peter Julian: Okay, and it also talks about the International Labour Organization. Are you aware of how much, within that \$78 million, is provided for it?

Ms. Sherry Harrison: I'm sorry, that question should be referred to the Office of the Auditor General.

Mr. Peter Julian: Okay. Can you tell us, then, how these supplementary estimates relate to previous years?

Ms. Sherry Harrison: No, I'm sorry. Mr. Chair, we came here to speak specifically to the Minister of Finance's department. We don't have officials here to speak to the estimates of the Auditor General.

The Chair: These figures are from the main estimates, not the supplementary estimates.

Mr. Peter Julian: They're part of the supplementary estimates publication, as you know, Mr. Chair, so it's fair to ask those questions.

I see from the supplementary estimates last year that for programming, it was \$78,768,000, and for this year, as far as program expenditures are concerned, it is \$78,297,061. So there's a deduction or a cut in the money accorded to the Auditor General's department of half a million dollars. I'm wondering, in the analysis that was done around the \$78 million, if you can answer that question or provide that information to the committee, as to why the amount was cut to the Auditor General.

Ms. Sherry Harrison: Mr. Chair, we came prepared to speak to the department's estimates. We'd be pleased to refer those questions to the Auditor General for an answer on their portion of the estimates. We were asked.... The meeting notice was—

Mr. Peter Julian: Fair enough, but you wouldn't provide that information to us later. You're suggesting that this committee needs to talk to the Auditor General.

Ms. Sherry Harrison: We can refer that question to the Auditor General's office and have them provide that back to the committee.

Mr. Peter Julian: I was going to ask a similar question around the Canadian International Trade Tribunal, because there are cuts there as well of nearly half a million dollars. We're seeing, in the ministry's supplementary estimates, cuts in a number of different areas.

I wanted to come to the supplementary estimates relating to the HST, the harmonized sales tax credit. Are any of those funds moneys that will be sent to, or allowed to remain in, British Columbia because of the implementation of the HST there? Of course, as you know, in B.C. there was a clear rejection of the HST last summer by British Columbians. Within that \$1.566 million, to what extent are any of those funds being sent to British Columbia?

Ms. Sherry Harrison: None of those funds are being sent to the province. That \$1.566 million relates to funding to support the department's ongoing activities related to HST. The department is responsible for HST policy and legislation, and these are operating costs for the department in that role. They do not flow through to British Columbia.

Mr. Peter Julian: Okay, thank you, and thank you, Mr. Chair.

That's important to note because, as you know, there's a great amount of discussion in B.C. presently about the HST and allocations coming from the federal government.

Concerning the allocations that go in recoverable payments to Ontario and Prince Edward Island, could you explain to us how much of that funding is going to Ontario and how much is going to Prince Edward Island, out of the \$151 million?

•(1215)

Ms. Chantal Maheu (General Director, Federal-Provincial Relations and Social Policy Branch, Department of Finance): Of that \$151 million, \$150 million will go to Ontario, and \$1 million to P.E.I.

The Chair: Thank you.

Thank you, Mr. Julian.

We'll go to Mr. Jean, please.

Mr. Brian Jean: Thank you, Mr. Chair.

My interest is in relation to debt. I grew up in Fort McMurray. You may have heard of it. It's a small little town of about 150,000 people in northern Alberta. In 1967 there were about 1,500 people there, and I remember back in the seventies when the economy was extremely hot, interest rates went up to, I think, about 22% to 24%. Then we had what I remember as the national energy program, which closed down pretty much every business in northern Alberta—in fact, all but about two. I remember one was my parents' and the other was a lottery, which means that you either have to be a government-run monopoly or very, very cheap.

That was a joke, by the way.

I'm interested in debt interest charges, as I did see a tremendous number of businesses go broke because they couldn't afford the high interest rates of 22% to 24%. We, of course, are in an interesting area right now. The Government of Canada has very low interest rates, and we have an opportunity to balance our books and actually pay off debt.

My question is, what would happen if interest rates returned to their 1980 levels, relating to public debt? What would happen to public debt interest charges?

Mr. Doug Nevison (Director, Fiscal Policy Division, Economic and Fiscal Policy Branch, Department of Finance): If I may, Mr. Chair, that would obviously be a very significant hit.

In the budget documents and the updates of economic and fiscal projections, we always include a sensitivity analysis for a number of variables, and their effect on the budgetary balance. One, at the back end of the update, looks at an increase in interest rates. So basically, for every 100 basis points, or one percentage point increase in interest rates, you would see a deterioration in the budgetary balance of about \$800 million in the first year, building to \$2.3 billion by year five.

So if you were going, as you said, to very significant interest rates, that would be a huge hit.

Mr. Brian Jean: I have an MBA in finance, but I don't think many people who are listening do. So I am curious if you could put that into layman's terms? So what you're saying is that for every one percentage point....

Mr. Doug Nevison: Increase in the interest rate? Effective interest rate?

Mr. Brian Jean: Yes.

Mr. Doug Nevison: You would see a deterioration in the budgetary balance of \$800 million.

Mr. Brian Jean: It would be \$800 million. Wow.

Mr. Doug Nevison: That's in the first year. It would build to \$2.3 billion by the fifth year. So it would have a dynamic effect.

Mr. Brian Jean: Absolutely. So what are we paying right now in interest charges per year?

Mr. Doug Nevison: Right now, on public debt charges in 2010-11 we have paid roughly \$30 billion.

Mr. Brian Jean: Thirty what?

Mr. Doug Nevison: Thirty billion dollars in public debt charges.

Mr. Brian Jean: Thirty billion dollars, and what are we paying in interest?

Mr. Doug Nevison: The effective interest rate on that depends. The interest rates that we use when we do these projections are based on the private sector forecast. The short-term rate that was used for that was just below one percentage point, and the 10-year bond yield that we use for that forecast was 2.6%.

Mr. Brian Jean: So you're telling me about what would happen if we went back to about a 10% interest rate, which I think would be easily hit if we went back to what happened in the eighties? Would that be fair to say.

Mr. Doug Nevison: Ten percent would be historically, as you said, very high.

Mr. Brian Jean: It would be an absolute nightmare. So what would the situation be? There would be \$800 million per percentage point, but we're talking about nine percentage points, which would have a compounding effect. So what would be the interest charge if we went back to 10%?

Mr. Doug Nevison: My arithmetic is very poor, but that would be a big number.

Mr. Brian Jean: How big?

Mr. Doug Nevison: Well, as I said, if you went by 10 percentage points, it would be about \$20 billion over a five-year period.

Mr. Brian Jean: Over a five-year period. All right. So it would be very significant indeed.

It would be fair to say that, if this were a home, if this were household debt and we were paying a mortgage, we would want to get rid of that debt as quickly as possible. Not only do we want to make sure we balance our books as quickly as possible, but we want to make sure that we pay down public debt and get rid of any interest charges as quickly as possible. Is that fair to say?

Mr. Doug Nevison: Yes, I think the Minister of Finance has been quite clear that having stable and low debt levels is very beneficial to the Canadian economy.

Mr. Brian Jean: So the only way we can really do that at this stage on a going-forward basis, because we and other governments have budgeted things, is to grow our economy. We either have to slash the heck out of all social programs in this country, including transfers, or we have to grow our economy.

Is that fair?

• (1220)

Mr. Doug Nevison: Well, to reduce the debt level, to start paying down debt again, we actually have to get back to a budgetary balance at some point. Growing the economy, obviously, helps in managing that burden, but in terms of paying debt down again, you have to get back to a budgetary balance, which the government has committed to do over a medium term.

Mr. Brian Jean: A last question?

The Chair: Be brief.

Mr. Brian Jean: You said it helps. Wouldn't you suggest that in this particular case with our ongoing budgetary restrictions, the only way we could do that is by growing the economy?

Mr. Doug Nevison: Growth is very important. Obviously, debt-to-GDP has a denominator and numerator, and growth is affecting the denominator. So it's very important.

The Chair: Thank you, Mr. Jean.

Ms. Bennett, you have a five-minute round, please.

Hon. Carolyn Bennett (St. Paul's, Lib.): Thanks very much.

Under vote 1b, the Department of Finance is seeking approval for \$4.9 million for a variety of things: federal advertising programs, implementation of HST, the HST credit, the Nova Scotia affordable tax credit, the task force for the payment system review, and the funding for the 90 Elgin crown site redevelopment. I would like to know what are the specific federal programs that would be advertised by the Department of Finance?

Ms. Sherry Harrison: The funding in the estimates is for an advertising campaign following the federal budget to ensure awareness of key budget initiatives, programs, and benefits for Canadians, and how to access them.

Hon. Carolyn Bennett: Is there a process for determining what is actually a government message and what's a partisan message?

Mr. Jean-Michel Catta (Assistant Deputy Minister, Consultations and Communications Branch, Department of Finance): If I may, essentially from a departmental perspective, we work closely with the minister's office and the Privy Council Office to determine the content of the advertising campaign, as well as the messaging. From a Department of Finance perspective, we very much emphasize the information that we provide to Canadians, specifically, for example, on the budget, because the budget, as you know, contains a number of measures and initiatives that Canadians can benefit from. It's important that Canadians are made aware of the content of the budget, and advertising is one tool among many to get this information out and make it accessible to Canadians.

Hon. Carolyn Bennett: I understand recruiting posters and buy Canada savings bonds messaging but I think there was some concern during the economic action plan that TV ads that said "including tax cuts" may well have been more of a partisan message than a government information message. Some legislatures have put in place a third-party tribunal to vet ads to see if they're actually a government message or a more partisan message. Is there any third-party, objective view of what actually is government information and what is more of a partisan nature?

Mr. Jean-Michel Catta: Specifically, the answer to your question is no, in the sense that there is no outside, third party—outside meaning, for example, outside government. Again, I go back to the process that I outlined earlier, that in designing and deciding on the messaging and the content of the advertising campaigns, it's very much a close and intense discussion that the minister's office, the department, and the Privy Council Office have. Again, the focus is on providing information to Canadians and, more specifically, on the contents of the budget.

Hon. Carolyn Bennett: Where would we find something like GPS tracking of economic action plan signs?

•(1225)

Mr. Jean-Michel Catta: In fact, specifically on the advertising campaign, there are very strict rules by Public Works requiring that post-campaign, you have to evaluate the success or the reach of the campaign. The results of these evaluations, and specifically on the budget-related advertising campaign, have shown, for instance, what they call the recall rates—it's a bit of a technical term—or people's recollection of a particular ad or, for example, of the economic action plan is relatively high compared to other campaigns. It could be a measure, it could be a combination of the campaign itself, but also the fact that over the past two or three years the state of—

The Chair: Okay. Just wrap up, please.

Mr. Jean-Michel Catta: Sorry.

—has called for the economic action plan and some very specific government actions to deal with the economic crisis.

The Chair: Thank you.

Thank you, Ms. Bennett.

We'll go to Ms. Glover, please.

Mrs. Shelly Glover: Thank you, Mr. Chair.

I'm glad to see that Ms. Bennett has joined us for this portion.

In the first portion with CRA officials, just to help her understand, there is an advertising campaign they had spoken about, Mr. Chair. They're probably going to be encouraging the uptake of tax measures during the 2011 tax filing season. They indicated very clearly that it was to inform Canadians about the advantages of the tax credits that have been put in place.

Of course, things like pension income splitting, the children's fitness tax credit, the first-time home buyers' tax credit, the public transit tax credit, the deduction for tools for tradespersons and, of course, the hiring credit for small business that has come into play, are all important measures Canadians will want to know about so they can take advantage of them. Those tax cuts, in fact, are important so that Canadians can take advantage of them. I'm hopeful that most of the members of the House will in fact agree that an advertising campaign, so that Canadians can take advantage of these, is important.

In any event, I'm going to ask you about capital taxation, if you wouldn't mind. The supplementary estimates make reference to a somewhat technical aspect of the incentive, launched by our government in 2007, to support and encourage provinces to eliminate or accelerate the elimination of their capital taxes. These were taxes paid regardless of whether a company was profitable, adding directly to the cost of doing business here in Canada. Capital taxes have been called by some the most destructive form of taxation.

Can you speak to how this incentive worked and what specific provinces took it up? I'm from Manitoba. I'd like to know, specifically, whether Manitoba was one of those provinces.

The Chair: Perhaps you can introduce yourself, for the benefit of the committee.

Mr. Geoff Trueman (Director, Business Income Tax Division, Tax Policy Branch, Department of Finance): I'm Geoff Trueman,

the director of the business income tax division in the tax policy branch of the Department of Finance. I am responsible for the capital tax incentive.

This was a measure introduced in the 2007 budget to encourage provinces to eliminate or speed up the elimination of their capital taxes. These are taxes that are levied on the capital assets of a business, and they would be payable whether or not the business were profitable. From that point of view, they're seen as relatively damaging, from an economic perspective.

To return to your question, four provinces took up that offer: Quebec, Ontario, B.C., and Manitoba.

The way the incentive works is that provinces provide the government with a preliminary estimate of the amount of capital tax revenue foregone, based on their preliminary data for a given fiscal year. Then at a later date, when the provinces have final data for that year, consistent with the public accounts of that province, we adjust and make a final payment to the province.

Mrs. Shelly Glover: Only four provinces took advantage of this?

Mr. Geoff Trueman: Only four provinces took advantage of it, but all provincial general capital taxes will be phased out by the end of the year.

Mrs. Shelly Glover: Could you just speak to what degree the elimination of Canada's business tax is an advantage, basically in terms of lowering the overall tax burden on new business investments?

Mr. Geoff Trueman: Absolutely. The capital tax elimination contributes to a lower meter, a lower marginal effective tax rate, for Canada. The documentation provided with Budget 2007 indicated a decline of, I believe, 1.3% on Canada's meter.

Again, that's a tool that helps to assess the competitiveness of Canada's economy vis-à-vis its international competitors. Canada leads the G-7 with the lowest METR.

•(1230)

Mrs. Shelly Glover: Would you put that in layman's terms for me, sir? Canadians who are listening may not understand what you mean by "meter" and this reduction of 1.3%. Could you try to explain that in layman's terms?

Mr. Geoff Trueman: The marginal effective tax rate, as best I can explain it, is the tax rate that applies to the last dollar of investment, the marginal dollar of investment. It's shorthand way economists look at this. If you have that dollar to invest, what country will you invest it in? Certainly, among the G-7 countries, Canada has the lowest meter, by a significant amount.

Mrs. Shelly Glover: Thank you, Mr. Chair.

That's likely why *Forbes* magazine, the IMF, and the OECD have all said that Canada is the place to do business, and likely will be for the next five years, according to *Forbes*.

Mr. Geoff Trueman: That's correct. Canada leads the G-7 with the lowest meter, and we have a very competitive statutory corporate income tax rate, as well.

Mrs. Shelly Glover: Very good.

The IMF and the OECD said that over the next two years, we'd have the biggest growth. It's *Forbes* that said that we are, in fact, the best place to do business over the next five years. We're very proud of our government for making sure that the environment supports businesses that create jobs to protect our Canadian families.

Thank you.

The Chair: Thank you, Ms. Glover.

Mr. Mai, *s'il vous plaît*.

Mr. Hoang Mai: Thank you, Mr. Chair.

I have questions regarding the advertising. We went into that already. If I'm not mistaken, there was \$2.4 million for advertising. I'd like to know what specifically the government's instructions were regarding the criteria for this and what should be implemented?

Mr. Jean-Michel Catta: The \$2.4 million is the cost of an advertising campaign that we managed in June of this year, which immediately followed the tabling of Budget 2011. Again, it focused specifically on some of the measures and initiatives that were included in the budget, for example, the ecoENERGY retrofit program, the hiring credit for small business, the family caregiver tax credit, and some of the other measures that were included in the budget.

Mr. Hoang Mai: Those were to inform...because we also saw that the CRA has invested in getting people to know what their tax credits are. Is that to inform the public on how they're going to benefit, or is it just that this is part of the economic action plan? That was the whole advertising thing?

Mr. Jean-Michel Catta: I would say it's a combination of both, that these measures are part of the government's economic action plan dealing with the economic situation that we know, but also informing Canadians about specific measures and how they can benefit from them.

Mr. Hoang Mai: Can you split the amounts that were put toward advertising the action plan versus the amounts for more specific...?

Mr. Jean-Michel Catta: Essentially, the overall campaign was a combination of both, in that the advertising that we did included both aspects. It's about the economic action plan and it refers to some specific measures, but essentially it's one campaign. So from that perspective, it's not possible to divvy up the \$2.4 million. It's the cost of the overall campaign.

Mr. Hoang Mai: Was the advertising budget different from the publicity budget, or the advertising amount that the CRA had?

Mr. Jean-Michel Catta: Yes, it is a different budget.

Mr. Hoang Mai: Thank you very much.

Regarding the task force for the payments system review, do we know when the work will be completed and if that will have an impact on the regulations regarding financial institutions?

Ms. Diane Lafleur (General Director, Financial Sector Policy Branch, Department of Finance): The task force is expected to report before the end of the year, and it is too early to say what is going to be in that report.

Mr. Hoang Mai: I know the task force's mandate, but what were the initial criteria to look at...

Ms. Diane Lafleur: The mandate was quite broad. It was to look at all aspects of payment systems regulation in Canada, looking at questions of effectiveness, safety, soundness, and competitiveness, etc. So it was to take quite a holistic approach in looking at payment systems, which essentially has not been reviewed in Canada in the last decade.

This is a very dynamic area of the financial sector. Now was felt to be a good time to look at these questions so that Canada can be positioned to be a world leader in the payment systems area.

• (1235)

Mr. Hoang Mai: You said it's too early to have an idea, but since the information regarding the report is public, can you tell us if there is an idea of where we're going with that?

Ms. Diane Lafleur: It's an independent task force, and they are in the process of preparing their final report. If you are interested, a consultation report was released by the task force. It's basically a report on what they heard through their public consultations process. It's called *The Way We Pay* and is available on the task force's website. It give you a sense of what the various stakeholders brought to the table and the representations the task force has received.

The Chair: Thank you, Mr. Mai.

We'll go to Mr. Wallace, please.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chair. It's my pleasure to be back here for an hour. They had sent me over to the government operations and estimates committee so that I could deal with the estimates all day long, which has been fascinating. We've had, I think, six different departments in front of us, and it's been fun.

First of all, let me say that I did a chart on every department that we've had appear over the last five years. It tracks the delta between what they asked for in the mains and what they asked for in the supplementary estimates—what that percentage is—and then what they actually spent based on the public accounts. The finance department comes out pretty well, to be honest with you, in terms of how much is in the supplementaries—which I don't like, though I know they are a requirement—and how much it asked for in the mains.

I do appreciate that, and I understand you are only here to cover some of what's printed in the pages. I do have one question for you, following up on Mr. Julian's question. In the mains that we've passed, there is transitional money for assistance to the harmonized value-added tax framework. It's an agreement. It was down this year. Would that have included the money we sent to British Columbia for the amalgamation of their sales tax? Would it already be included in that amount in the mains? Which line would it show up on when the province pays us back the money we have given them for the transition—money that I think they owe us because they decided not to proceed?

Mr. Mike Wallace: You asked a question about it, so I'm following up on it.

The Chair: The question is through the chair to the witnesses, please. Thank you.

Ms. Harrison.

Ms. Sherry Harrison: We have a colleague to respond to that.

Mr. Mike Wallace: It's under vote 1b. There's a statutory piece and transitional assistance for the harmonized sales tax.

Mr. Pierre Mercille (Senior Chief, Sales Tax Division, Tax Policy Branch, Department of Finance): Yes, there is an amount of \$1,880,000,000. That amount includes two amounts: \$1.3 billion that was paid to Ontario the first business day after July 1 this year, and \$580 million that was paid to B.C. the first business day after July 1 this year.

Mr. Mike Wallace: How much was paid to B.C.?

Mr. Pierre Mercille: It was \$580 million.

Mr. Mike Wallace: So if there's an agreement to pay that back—

Mrs. Shelly Glover: There is an agreement.

Mr. Mike Wallace: —we would see that in a supplementary estimate coming back to us through your department. Is that correct?

Mr. Pierre Mercille: My understanding is that it will show up at the time the money comes back.

Mr. Mike Wallace: Right, but will we see that?

Ms. Sherry Harrison: My understanding is that the—

Mr. Mike Wallace: It goes out of Finance and it comes back to Finance. Is that correct?

Ms. Sherry Harrison: The accounting for it will be reflected in the Public Accounts of Canada. Depending on the timing of the repayment, we may reflect a revised forecast for the statutory amount in the estimates.

Mr. Mike Wallace: Okay, that's fair.

I ask these questions because it's often hard to follow the bouncing ball of finance around here. In another department, the mains were approved and they had no supplementary estimates (A). With supplementary estimates (B), their authorities to date were different from the authorities that were approved. There was a spot where they sent me to find where the change was, but there was no footnote to tell me to look there. I'm just trying to keep my eye on the bouncing ball. I think the opposition asked this question before.

I have a question under the statutory piece. I just want to understand it. It is under vote 1b, the alternative payments for standing programs. It looks like \$3 billion. Explain to me what's happening with that money. It's in brackets. Is that coming back or not being spent? I don't understand what's happening there.

• (1240)

Ms. Chantal Maheu: The money is coming back to the federal government. It's paid by Quebec. The reason they're returning funding to the federal government is that in the 1960s we transferred tax points. Quebec accepted tax points, and so they're raising these revenues for a set of programs. Now we're providing the funding for this through the transfers, so they're returning the value of those tax points.

Mr. Mike Wallace: So it's the value of the tax points coming back to us. Is that correct?

Ms. Chantal Maheu: Yes.

Mr. Mike Wallace: That is there in perpetuity, then. Is that correct?

Ms. Chantal Maheu: Yes.

Mr. Mike Wallace: The only way for that to change is if there were some sort of change to the agreement. Is that correct? Hmm. Okay.

Thank you.

The Chair: Thank you.

We'll go now to Mr. Marston.

Mr. Wayne Marston: Thank you, Mr. Chair.

If Mr. Trueman could come back to the table, please, I'd like to ask him a question. While he's coming, I'll fire off another one first.

Regarding your advertising budget, I would point out that one of the things Mr. Giguère has raised here before is that it's been reported that as many 12,000 seniors don't even apply for the old age security. In that advertising budget you have, is there any provision for letting seniors know that, because they're a resident of Canada, they can apply for old age security?

Ms. Sherry Harrison: Perhaps my colleague could respond.

Mr. Wayne Marston: It looks like there are multiple chair changes.

Voices: Oh, oh!

Mr. Jean-Michel Catta: It would be a function, again, of the purpose or themes or messaging of the campaign. Specifically, if we refer to the \$2.4 million for the June budget campaign, for example, it did not refer specifically to what you're suggesting. Again, that's a function of the nature of the campaign. Put it this way: it could also be assigned, potentially, to another department, for example CRA, or others to do—

Mr. Wayne Marston: That was where my next question was going.

Mr. Jean-Michel Catta: Again, it depends on the purpose and the nature.

Mr. Wayne Marston: The CRA knows the income level of individuals. It knows the age of individuals. It would know, first of all, that they're eligible for OAS. It would know that they're potentially eligible for a guaranteed income supplement increase. We understand that there are as many as 12,000 people living under \$10,000 a year out there. It just strikes me that if we're going to advertise, let's advertise to the folks who have a genuine, honest need and would qualify and be eligible.

I would just like to leave that with you as a thought going forward.

Mr. Jean-Michel Catta: Thank you.

Mr. Wayne Marston: Mr. Trueman, you've indicated that Canada has the lowest meter rate. I saw a certain satisfaction in that, and I don't take issue with that at all. But I think a layperson would view that as something like a taxi meter. If you've got the lowest meter in town, it means the taxi driver is getting the lowest income in town as well. It's not just all on the positive side.

Yes, in terms of competitiveness and the argument that would go back and forth here on that, it's pretty clear where the government would come down on that. But I'm very curious about that lower meter rate. What is the fiscal impact of the lower meter rate on the government's ability to provide the services and programs Canadians are asking for? Would it not make some sense to perhaps be in the middle of that group, as opposed to being the absolute lowest?

Mr. Geoff Trueman: Sure. I'm happy to respond to that.

I think one of the key priorities of the government has been to establish a very competitive business tax environment for Canada, and that's a combination of the statutory corporate income tax rate and the marginal effective tax rate in Canada. The meter includes other things, such as sales taxes in Canada and the structure of the GST, the HST, and the provincial taxes. It looks at a number of items.

One of the things about having that competitive business tax environment is that we're seeking to create the conditions whereby businesses are able to accumulate the capital they need to invest and create jobs and to further Canada's economic growth. Then what that ties into, in terms of the big picture, is the base of corporate tax revenues that my colleagues in the fiscal area will roll up into the government's overall fiscal planning.

• (1245)

Mr. Wayne Marston: I understand that balance, but there's some social balance someplace in this. If the revenues are coming in to a lesser degree, then what we're able to do is to a lesser degree, and then become concerned about that.

I may be mistaken about the following figures, but I have been told that around the year 1950, corporations paid 85% of the tax and we paid 15%. It's almost as if we've flipped on that one. I don't know whether those figures are accurate or not, but to my mind there's a balance someplace in here. We harp back and forth with the government—

Mr. Geoff Trueman: Sure.

Mr. Wayne Marston: —on what the priorities should or shouldn't be, and a proper environment for business investment is an important thing—

Mr. Geoff Trueman: Yes.

Mr. Wayne Marston: —but so is that social and infrastructure investment and finding where to go with that, where the balance is.

You sound to me, sir, as if you're promoting that we should be at the very lowest rate.

Mr. Geoff Trueman: Well, no. In fact, I think if you go back and look—and I apologize that I don't have it in front of me—you'll see, either in the sixth or seventh update to the economic action plan, a table that shows Canada's statutory income tax rates vis-à-vis other countries, and Canada is largely in the middle of that. There are other countries that certainly have more aggressive corporate income tax regimes than we do, and by “more aggressive” I mean markedly lower rates. So when you look at that, Canada is about in the middle of the pack internationally, in terms of the corporate income tax rate.

Again, in terms of the meter, if you extend the analysis to look at other parts of the globe beyond the G-7, there are other countries that are pursuing a lower meter more aggressively.

The Chair: Thank you.

Thank you, Mr. Marston.

We'll go to Mr. Adler, please.

Mr. Mark Adler: Thank you, Chair.

Thank you to the witnesses for appearing today.

I want to focus on transfers. We all know that transfers to the provinces account for a significant expenditure by the federal government. I just want you to confirm that the amount of money included in this estimate is part of these transfers.

Ms. Chantal Maheu: Yes it is—very much so, actually. A lot of the supplementary estimates are amendments to the main estimates for the transfers. So the major amounts were announced in the main estimates and now we're making minor adjustments to those.

Mr. Mark Adler: How much are they?

Ms. Chantal Maheu: If you look under vote 1b starting in the middle of page 51, you'll see the list of the major transfers starting with the CHT at \$26.9 billion...equalization. The list is there; I could read it to you.

Ms. Sherry Harrison: If I may, there's also a schedule on page 55 of the supplementary estimates that specifies the transfer payments, totalling \$1.583 billion.

Mr. Mark Adler: Could you go through them for me, please?

Ms. Sherry Harrison: The additional fiscal equalization is \$952.1 million; the transitional payment to Newfoundland and Labrador, \$536.1 million; the incentive for provinces to eliminate taxes on capital, \$86.4 million; the additional fiscal equalization offset payment to Nova Scotia, \$33.7 million; the additional fiscal equalization to Nova Scotia, \$17.9 million; the youth allowance recovery, \$7.95 million; and the alternative payments to standing programs, \$34.6 million.

Mr. Mark Adler: Now, the government has been very clear that it will not raise taxes or cut transfers to persons, including those for seniors, children, or the unemployed; or transfers to other levels of government in support of health care and social services; and the equalization and the gas transfer tax to municipalities. Can you also confirm that these transfers to the provinces have increased under this government?

Ms. Chantal Maheu: Yes, they have increased. There are statutory increases in three major transfers. So for the Canada health transfer, it grows at 6%, and it has been growing at 6% every year since 2004-05. The Canada social transfer grows at 3%, and equalization grows at the average GDP growth rate. So, yes, these transfers have been growing significantly.

The Chair: You have two minutes.

Mr. Mark Adler: Okay.

The estimates provide additional funds to support the total transfer protection. Our government extended TTP in 2011-12, representing nearly a billion in additional support to the provinces during a fragile economic recovery. Can you confirm that this program will ensure that no province in 2011-12 experiences a decline in combined entitlements under the Canada health transfer, the Canada social transfer, and equalization?

• (1250)

Ms. Chantal Maheu: Yes. That's the purpose of those transfers. What happens is that we compare transfers in 2011-12 and make sure that they don't decline from the prior year. The amount of \$952 million fills that gap for the provinces. No province has seen a decline in that year of their major transfers.

Mr. Mark Adler: My time, Mr. Chair?

The Chair: You have a minute. You could let the chair ask a question, if you wish.

Mr. Mark Adler: Okay, sure.

The Chair: Just very briefly, and I don't need an answer today, Mr. McGirr, but my favourite topic is transfers to Alberta for health. I'm meeting with the provincial minister in about a week. If you have anything further on that topic, I would love to have that information from you or anyone else.

Mr. Tom McGirr (Chief, Equalization and TFF Policy, Federal-Provincial Relations and Social Policy Branch, Department of Finance): I don't think I have anything further to add today.

The Chair: So in everything you've provided to the committee, nothing has changed in that matter.

Mr. Tom McGirr: No.

The Chair: Okay, I appreciate that.

I do need some time at the end for votes. So, unfortunately, Monsieur Giguère, you'll only have time for a brief question and answer and then we'll have to go to the votes.

[*Translation*]

Mr. Alain Giguère: I will try to be quick so that I can ask questions that deal directly with the adjustment.

You reduced the debt service item by \$410 million. If I remember my economics classes correctly, when the impact on the GDP of servicing the debt goes down despite the deficit going up, it essentially means that the government has more room to manoeuvre.

Is that correct?

[*English*]

Mr. Doug Nevison: The decline in public debt charges of \$410 million you refer to between the main estimates and supplementary estimates (B) reflects a decrease in short-term interest rates. As I mentioned before, that is based on the most recent survey of private sector economists. They came down by roughly 30 basis points, and that's where the \$410 million came from.

[*Translation*]

Mr. Alain Giguère: Thank you, Mr. Chair.

I see an expense of \$275 million for PPP Canada Inc. I thought that, under GAAP, generally accepted accounting principles, when the federal government invests in its own structures, you just indicate

the amortization. It is just as if you lent a sum of money and you had loan guarantees that made you certain of getting it back. You don't have to show it as an expense.

Does this mean that you have written off \$275 million? Is that question too specific?

[*English*]

Ms. Sherry Harrison: I'm sorry I don't have an official here from PPP Canada to speak to this. We'd be pleased to respond to the committee in writing on that one.

The Chair: Okay. You can provide that to the clerk, and we will ensure that all members get it.

[*Translation*]

Okay

Thank you, Mr. Giguère

Mr. Alain Giguère: I would like a very quick explanation about the \$7 million for the Harbourfront Centre funding program. I have been seeing amounts like that for a couple of years now. Under the federal government's generally accepted accounting principles, you just show the amortization amount as an expense. Do I gather that these \$7 million items represent an amount 10 times greater?

[*English*]

The Chair: We can have a brief response or you can follow up with the committee, but we will have to move to votes right away.

Ms. Sherry Harrison: The Harbourfront Centre program was renewed for five years in the recent budget. So the \$5 million represents this year's payment as well as a reprofiling of the last year into this year to allow for a quarterly payment. It's for the renewal of the program.

The Chair: Thank you. Merci.

I want to thank all of the officials for being with us here today.

Colleagues, we will move right into the votes. I will just name the votes for the record: supplementary estimates (B) 2011-2012, votes 1b and 5b under Canada Revenue Agency; and votes 1b, 5b, and L15b under Finance, referred to the committee on Thursday, November 3, 2011.

It's been suggested that we pass these on division. Is that the will of the committee?

CANADA REVENUE AGENCY

Vote 1b—Operating expenditures.....\$24,392,657

Vote 5b—Capital expenditures.....\$1,882,288

(Votes 1b and 5b agreed to on division)

FINANCE

Department

Vote 1b—Operating expenditures.....\$4,940,846

Vote 5b—The grants listed in the Estimates and contributions.....\$7,000,000

Vote L15b—In accordance with the *Bretton Woods and Related Agreements Act*, the issuance and payment of non-interest bearing, non-negotiable demand notes in an amount not to exceed \$441,620,000 to the International Development Association.....\$1

(Votes 1b, 5b, and L15b agreed to on division)

The Chair: Shall the chair report these to the House of Commons?

Some hon. members: Agreed.

The Chair: Thank you, colleagues. Thank you, officials.

The meeting is adjourned.

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