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Chair

Mr. Massimo Pacetti

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• (1110)

[English]

The Vice-Chair (Mr. Charlie Penson (Peace River, CPC)): We're going to start our meeting this morning, ladies and gentlemen. Pursuant to Standing Order 81(4), we're looking at main estimates 2005-2006, votes 1 and 5 under the Canada Customs and Revenue Agency.

We have with us this morning the commissioner, Michel Dorais, and others from the department. Mr. Dorais, if you have an opening statement, we would like to hear it.

Mr. Michel Dorais (Commissioner, Canada Customs and Revenue Agency): Thank you very much, Mr. Chairman. I do have a very brief opening statement.

I have to say to the committee that it's with a lot of humility that I come here after barely three months as the head of CRA, and with some nervousness as well. CRA is a very large organization, and it's pretty hard to get one's head around all the elements of it, especially right in the middle of tax season, which is the most active period for the agency. So I'm still very much in a learning mode, and I apologize in advance to the committee if I cannot answer all the questions. This is why I've come with the assistance of colleagues, who I briefly would like to introduce to the committee.

John Kowalski is deputy assistant commissioner, compliance programs branch. Jim Ralston is the chief financial officer for the organization. Barbara Slater is assistant commissioner, assessment and client services branch, the large operation branch of the agency.

[Translation]

Also with me today is Mr. Guy Proulx, Assistant Commissioner, Revenue Collections Branch.

[English]

The agency, as you know, is a truly national organization. It provides not only Canada, but also the governments of most provinces and territories, as well as first nations governments, with fair, efficient, and effective tax administration and benefit management services. In doing so, the agency pursues two strategic outcomes. Taxpayers meet their obligations and Canada's government revenue base is protected, and eligible families and individuals receive timely and correct benefit payments, thus contributing to the integrity of the income security system.

[Translation]

Spending proposed in these main estimates will allow the CRA to continue to build on its strengths, while transforming our business in

areas challenged by social, economic, and government change. Clearly, ensuring the integrity of the tax system is foremost among these priorities, as it is through our tax system that Canadians and Canadian businesses support the social and economic benefits enjoyed across the country.

[English]

These main estimates before you show a reduction of \$203 million from 2004-2005. However, most of the reduction represents transfers to the Canada Border Service Agency, which assumed responsibility for customs operations in 2004-2005. There has also been a decline in the employee benefit plan rates to 20% from 21.5%. Of the total reduction \$29 million reflects a carry-over of unused funds provided for the joint administration of federal and provincial sales taxes in Quebec. This has no impact on spending or level of service in Quebec.

In the three months I have been with the agency, I have been impressed with the dedication and professionalism displayed by staff at all levels. As we all recognize, the success of any organization depends on its employees. Based on the CRA employees I've had the chance to meet so far and their union leadership, it is no surprise to me that CRA is a leader in modernizing Canada's public service and that Canada's tax administration is recognized as among the best in the world.

[Translation]

In creating the agency, Parliament recognized that this service-oriented organization would need human resource and administrative structures capable of responding to rapidly changing public and government expectations. The agency's unique governance structure allowed the board of management to play a key role in overseeing and driving the complete overhaul of the agency's human resource and administrative systems.

The modernized comptrollership and administration regime has produced a culture that prizes efficiency, economy and continual improvement.

[English]

Our administration of the tax system and benefit programs strives to protect the revenue base of the federal and provincial governments while contributing to the integrity of the Canada income security system.

[Translation]

Mr. Chairman, I look forward to answer questions from committee members.

Thank you very much.

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

[English]

We'll go to the members right away, starting with a seven-minute round.

Monsieur Solberg.

Mr. Monte Solberg (Medicine Hat, CPC): Thank you very much, Mr. Chairman.

Welcome, Mr. Dorais, and to your officials as well. You have a tough job. It's a big agency, and maybe not the most beloved one either, for obvious reasons.

I just want to ask a question that sort of deals with that, off the top. It has to do with a story that I saw recently circulating suggesting that because of some concerns about how the government uses money, this may have some impact on your ability to collect taxes.

There was a quote from John Williamson, from the Canadian Taxpayers Federation, in one of the newspapers saying they're getting a lot of calls, people suggesting there might be a tax revolt because of some of the allegations flowing from the Gomery inquiry. Do you have any indication that this is occurring? Do you even get that kind of feedback? Do you have some way that people let you know that, or is this just rhetoric?

Mr. Michel Dorais: As far as we can tell, it's speculation. We have no indication of any significant variance. The filing objectives are met. We may be a little under at a certain time, but that can be due to a day of holidays or something like that. There's no significant difference.

Mr. Monte Solberg: Do you have plans in place, though, to deal with this kind of thing?

• (1115)

Mr. Michel Dorais: No.

Mr. Monte Solberg: There are no discussions behind the scenes about whether or not this is an issue?

Mr. Michel Dorais: Not at the agency.

Mr. Monte Solberg: All right.

One of my colleagues has asked me to question you about the closure of CRA cash counters. I think his situation was in Brandon, Manitoba. There was a closure of a cash counter. Can you explain what that's all about, why you are doing this, how widespread it is, and I guess justify it?

Obviously people prefer to deal with you in person, if they can, as opposed to over the phone.

Mr. Michel Dorais: With pleasure. In fact, I'm happy to answer that question because sometimes rumours send all kinds of messages.

People will still be able to deal in person with us. What happened was that as a result of the expenditure review exercise, one of the proposals to effectively come up with some savings was to move away from the cash counter that we have, where people can come and pay their taxes. As it is, 7% of the payments are received through

cash counters, and it takes 25% of the collection budget to manage that 7%. So that is the fundamental rationale.

Behind that, and in terms of level of service—which is one of our objectives, and that was very important and we looked at it—Canadians have alternatives. Cheque payments are still accepted, telebanking or Internet banking is accepted, and Canadians can pay at any financial institution in the country.

So will it inconvenience some people? The answer is probably yes. Will the level of service go down? We're certainly hoping that once the transfer is done, the level of service will be equivalent.

Mr. Monte Solberg: To what degree have people been using these cash counters? You mention 7%, but is that a constant number, or is it going up or down?

Mr. Michel Dorais: That's going down. In fact, the use of all counters—cash counters and inquiry counters—is going down. I don't know about the cash counter, but the inquiry counter has been going down about 10% per year, regularly, for the last five years.

Mr. Monte Solberg: I have one final question.

The former head of Canada Post was accused of submitting \$2 million in expenses without any receipts, and of course this would seem to be a taxable benefit. I wonder if you can share with us whether or not this is being pursued. This is sort of an issue that I think also undermines confidence in government.

Hon. John McKay (Scarborough—Guildwood, Lib.): On a point of order, Mr. Chairman, this is an inquiry about a specific taxpayer. The honourable member has been around here long enough to know that he cannot ask questions about that.

Mr. Monte Solberg: If only he did pay taxes.

Hon. John McKay: It's out of order, totally out of order.

The Chair: I'll allow the question. It's up to the witness if he'd like to answer it. Let the witness answer. It's fine; it's not out of order.

Hon. John McKay: It is out of order.

The Chair: It's not.

Mr. Michel Dorais: Mr. Chairman, with your permission, the only thing I can say is what the minister said in the House, which is that an investigation is taking place. Obviously, I cannot comment on the individual taxpayer.

The Chair: Thank you.

Monsieur Côté, and then I have Mr. Hubbard.

[Translation]

Mr. Guy Côté (Portneuf—Jacques-Cartier, BQ): Thank you very much, Mr. Chairman.

Thank you for your presentation, Mr. Dorais.

We in the Bloc Québécois have been studying the phenomenon of tax havens and tax avoidance for a long time. Moreover, we are aware of the fact that unfortunately, certain regulatory measures exist that affect Barbados in particular, and that allow people, through a perfectly legal procedure, to pay no taxes to speak of.

We can see in the report on plans and priorities and in the main estimates that the two are linked. In the National Initiative to Combat Money Laundering, there are funds for 2004-2005, but no planned spending for the period of 2005 to 2008. I find that rather surprising, because in the same document, you state that one of the areas you want to focus on is what you refer to as aggressive tax planning. Without being directly linked, the two could go hand in hand, unfortunately.

Can you tell us a bit about this subject?

• (1120)

Mr. Michel Dorais: I will do so and I will ask Mr. Ralston to give you some explanation on the technical aspects, the way in which it was brought down in the budget.

In fact, the issues relating to tax havens are closely linked with what we call aggressive tax planning. One must be careful not to equate Canadian funds invested overseas with the phenomenon of tax evasion or the phenomenon of the tax haven.

We have a very aggressive strategy in that regard that targets not only tax havens but all transactions in which tax havens often play a very isolated role. If the committee wishes, we can provide you with more details on these components. Our strategy is one of very aggressive auditing and it is also an international strategy, under which we deal with OECD countries, among others, in order to pressure the countries that may be involved in this kind of international transactions.

Jim, would you like to comment on the technical issues?

[English]

Mr. Jim Ralston (Chief Financial Officer and Assistant Commissioner, Finance and Administration Branch, Canada Customs and Revenue Agency): The amount that's shown for money laundering, \$4.9 million, involves about \$3.2 million that is destined toward the Canada Border Services Agency, and the remaining part relates to us. The reason it shows up only in one column and not in others—

The Chair: Excuse me, Mr. Ralston. If you can just indicate to us what you're—

Mr. Jim Ralston: I believe the member is referring to the table that's shown on page C-1 of the report on plans and priorities in appendix C. It's a table called "Agency Planned Spending". There's an amount shown there for the national initiative to combat money laundering. It shows up in 2004-05, but then it does not show up in the columns to the right.

The member was wondering whether this indicates that the program is not continuing. In fact, the program continues; it's only a matter of presentation. What appears in supplementary estimates in 2004-05 will get rolled into the main estimates in subsequent years. Some of the visibility on this table will not be as great, but in fact the program and the money continue.

[Translation]

Mr. Michel Dorais: In fact, Mr. Chairman, in the last budget, the program budget was increased to \$30 million under the heading of tax evasion, and this included work connected with tax havens.

Mr. Guy Côté: You said that if the committee wished, you could provide us with more details. Personally, that would interest me a great deal.

Following on that line, we recently had FINTRAC, the Bank of Canada, and others as witnesses. What is your relationship with these various organizations, as far as these matters are concerned?

Mr. Michel Dorais: I will ask Mr. Kowalski to answer the question dealing specifically with our relationship with FINTRAC.

Mr. Guy Côté: All right.

[English]

Mr. John Kowalski (Deputy Assistant Commissioner, Compliance Programs Branch, Canada Customs and Revenue Agency): In terms of FINTRAC and their efforts on money laundering and terrorist financing, the way the legislation works is that FINTRAC needs to identify reasonable grounds to suspect money laundering or terrorist financing. If they do, then as a second step—and only if the first step occurs—if they also see reasonable grounds for tax evasion, they can make those referrals to the CRA. It's a two-step process between FINTRAC and the CRA. They have to fulfill the requirement, first of all, for the money laundering and terrorist financing, and only if that exists do they then do the second step and make any referrals to us.

[Translation]

Mr. Guy Côté: In fact, as you review certain tax returns, it may happen that certain elements appear suspect to you. In such cases, can you take the initiative and get in touch with FINTRAC to point out your suspicions as far as certain files are concerned?

[English]

Mr. Michel Dorais: John, do you want to answer that?

Mr. John Kowalski: At that point in time, we have a number of approaches to ensuring compliance in terms of aggressive tax planning and tax havens. We have a number of audit programs. We have our regular audit programs, both in small and medium businesses and also large corporations. We use tax havens as an indicator of risk. If we see a tax haven being used in any one of our regular audits, we will look into it further to ensure it's being used appropriately.

We have specialized audit programs in international tax and in tax avoidance as well. We have foreign reporting requirements where people have to disclose to us the assets they have overseas. We have a number of specific anti-avoidance provisions in the legislation, such as transfer pricing, that again allow us to ensure compliance with the law. We have a general anti-avoidance rule that allows us to combat certain transactions that might be technically correct but contravene the spirit or the purpose of the act. They seek certain benefits that aren't intended by Parliament. So if we see that there's a misuse or an abuse, we can attack those as well.

We have a broad network of about 83 treaties that we administer as well, each one of them passed by Parliament. We also recognize that tax havens are an international issue, so we are fully engaged with the other organizations—OECD, PATA, and many others. When we do run across situations as you described, we do take appropriate action to investigate them further. We'll either proceed with a civil audit and issue reassessments, perhaps penalties, or if we find there is tax evasion we can also recommend a prosecution to the Department of Justice. They'll consider it and decide whether or not it merits taking it forward to the courts.

So there are a number of different actions we can take.

• (1125)

[Translation]

Mr. Michel Dorais: Mr. Chairman, to answer your questions more specifically, I might add that the sharing of information is regulated by section 241 of the Income Tax Act which, with the Statistics Act sets out the narrowest of restrictions on the sharing of information. There are certain exceptions to the section, but generally speaking, the Canada Revenue Agency's information is not automatically shared, except in the most unusual situations.

The Chair: Thank you, Mr. Côté.

[English]

Mr. Hubbard, and then I have Ms. Wasylycia-Leis.

Mr. Charles Hubbard (Miramichi, Lib.): Thank you, Mr. Chair, and good morning.

I have a number of brief questions. Hopefully, with eight minutes, we can answer a few of them.

It seems that nearly every week we have some bill before the House that deals with Revenue Canada. Yesterday we were voting in terms of how U.S. Social Security payments would be looked upon by our finance department and Revenue Canada. We had the amateur hockey business.

It's my understanding that with the amateur hockey, the Saskatchewan junior hockey league, you have made arrangements...at least their president said that he is satisfied with the arrangements that have been made with Revenue Canada in terms of their relationship with their players. Is this in fact true? From your point of view, has a satisfactory understanding been made with the group from Saskatchewan and Manitoba?

Mr. Michel Dorais: Obviously, again, I'm a little tied up with the specific situation, but yes, arrangements have been made, and the junior hockey in Canada is compliant with the Income Tax Act, and everybody seems to be happy.

On the other bills—

Mr. Charles Hubbard: The second topic I'd like to pursue is Service Canada. We have had indications that some significant changes are being made in how our government offers services to people across the country. I would assume that your agency is cooperating with other governmental departments, actively and aggressively, to promote the concept of Service Canada and a better relationship with Canadians. Is the agency active on this file?

Mr. Michel Dorais: The agency is very active on this file. We will take advantage of all the new services that will be available to Canadians. We have one significant constraint—confidentiality of taxpayer information. Service Canada offices will not have access to the Revenue Canada computer system, but they'll be able to direct people to our offices throughout the country. Answers to routine questions will be available at the Service Canada office. So we're collaborating.

Mr. Charles Hubbard: With respect to answering phone inquiries, we hear complaints from some government departments. I suppose service is generally good except in March and April. Are you satisfied with what's happening? Are you short of staff? Do you have any complaints about your relationship with taxpayers, especially during this critical month of April?

• (1130)

Mr. Michel Dorais: I was at Citizenship and Immigration Canada before, dealing with call centres, and I was pleasantly surprised at the performance of the call centres at Revenue Canada, especially in this period. Our level of service is 80% to 85% of calls answered. This is very good. Ten years ago, we were answering about 3% of the calls.

Mr. Charles Hubbard: The other area I'd like to pursue is charitable donations. We've heard complaints from people who are volunteers, who do most of this work after their regular work for the day. They're involved in various charitable organizations and are being requested to provide additional information, additional reports each year that are over and above what was done a year or two ago. Have you had much feedback on this? Are you making an effort to make sure that we don't destroy volunteerism in our country?

Mr. Michel Dorais: We get the occasional complaint. There are 85,000 registered charitable organizations. The objective is not to make it more complicated for those organizations; we're trying to make it simpler. We are currently consulting with an advisory committee on charitable organizations to see what we can do to simplify our relationship with them even further.

Mr. Charles Hubbard: Do you feel you're making progress?

I have had a number of letters on this, and there's a certain amount of frustration out there. You say there is a committee and they're trying to understand the situation. A few months ago, people felt this was all rather taxing on their time, energy, and resources.

Mr. Michel Dorais: We have on the drawing board a review of charitable regulations, which we will undertake fairly soon. I hope we will be able to get rid of some of the irritants that are left in the system.

Mr. Charles Hubbard: We've heard some complaints having to do with the same-sex arguments in this country. Certain church leaders have received a certain degree of intimidation for being either pro- or anti-Bill C-38. One major church has been proactive in promoting this bill, while other groups have been opposed to it. A few months ago, there were indications that they could be violating their charitable donation status by doing this. Are there any plans by the agency to take action on Bill C-38, with respect to whether a particular church group is for or against it?

Mr. Michel Dorais: No, Mr. Chairman. I reacted a little bit to the word "intimidation". It's certainly not within the agency's practice to intimidate any taxpayer in the country. On the contrary, the approach we insist on is a collaborative one.

On the charity issue, it's sensitive. There's no doubt about that. Charitable organizations, as the committee knows, have a charter and have to behave in a certain way under the registration of that charter. This is why they can issue receipts for tax purposes.

There is a certain amount within the tolerable limits in terms of activities that could be akin to lobbying activities that are linked to the mandate of the charitable organization. There is a very strict line that should not be crossed by charitable organizations, like getting involved in supporting candidates during electoral campaigns, for example. This is not the purpose of charitable organizations.

We audit about 600 charitable organizations every year, and we certainly look very actively for these elements. When we feel that there is a transgression of this principle, we certainly act. And you'll understand why I'm not commenting on any specific example.

• (1135)

The Chair: Thank you.

Thank you, Mr. Hubbard.

I have Ms. Wasylycia-Leis and then Ms. Ambrose.

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Thank you, Mr. Chairperson.

Thank you to all of the witnesses for appearing before us today.

I want to focus on an issue touched on very briefly by Monte Solberg, the cuts to the cash and client service counters. I actually was quite shocked to hear that this decision was made at a time when I thought government was trying to encourage people to pay their taxes and to make it as easy as possible for them to do so. I thought it was a peculiar move in the middle of the Gomery commission and the whole sponsorship scandal, when people are starting to ask, what's the point of paying taxes when people can get away with bloody murder? I also found it peculiar in the context of a department whose slogan, apparently, is "More Ways to Serve You!"

It seems that you've cut back and eliminated a very important service. I'd just like you to confirm the details of that cutback—first of all, that takes effect a year from now. Could you tell us how many sites across the country are affected, what the 7% of revenue translates into in terms of dollars, and what kind of impact analysis you did?

Mr. Michel Dorais: I don't have all the figures at my fingertips, but we'll undertake to provide you with the exact figure.

Again, let me repeat for the committee a little bit of what I've said before. Of the total amount of the payments we receive, about 7% is channelled through the cash counter, and this amount is going down year after year.

Ms. Judy Wasylycia-Leis: What's the dollar amount for this 7%?

Mr. Michel Dorais: I don't know. We'll have to calculate it.

Ms. Judy Wasylycia-Leis: What's the total number for all the income tax you collect?

Ms. Barbara Slater (Assistant Commissioner, Assessment and Client Services Branch, Canada Customs and Revenue Agency): The 7% means that 7% of the payments are made at the counter. I don't know whether this equals 7% of the total number of dollars. We would have to verify that.

Ms. Judy Wasylycia-Leis: If it's 7% of the \$125 billion in income tax, it would amount to about \$8.75 billion collected through cash services. Could you confirm this?

Mr. Michel Dorais: No, I can't, because a large amount of the collection in income tax is done at the revenue source. We're talking payments with this 7%, and the number is much smaller than that.

Do you have the number, Mr. Ralston?

Mr. Jim Ralston: I believe the number—the dollar volume as opposed to the transaction volume—is in the neighbourhood of \$2.4 billion.

Ms. Judy Wasylycia-Leis: Okay, \$2.4 billion.

Mr. Jim Ralston: And you also asked about the total amount of revenue collected. Our total cashflow, if you will, from the provinces, territories, federal—everything taken together—is upwards of \$300 billion.

Ms. Judy Wasylycia-Leis: So \$2 billion to \$3 billion in income tax collected is still a pretty significant amount.

Mr. Michel Dorais: It's 7%.

Ms. Barbara Slater: It's less than 1%. It's \$2.4 billion of \$300 billion plus. In dollar terms, it's an even smaller percentage.

Ms. Judy Wasylycia-Leis: Okay. Fair enough. I appreciate that.

I think the more statistics you can give us, the better. I am concerned, though—whatever the amount is—in terms of who it impacts. I would guess, based on my experience in Winnipeg, that in fact it has an impact on people with low incomes, on new immigrants, and on seniors, all of whom like to use the direct client services. They like to take either their cash or their cheque and pay their income tax and get that receipt, because then it's done, and they can be confident that they've done what is right.

I'd like to know if you've done any kind of impact analysis in terms of the clients who use the service and whether or not you'd reconsider this based on such an impact analysis. It's one thing to be cost-effective; it's another thing to be sensitive to people's needs and to recognize their circumstances.

Mr. Michel Dorais: We certainly have measured the use of our counters.

Barbara, do you have the numbers?

Ms. Barbara Slater: As to the use of the cash counters, which you were particularly referring to, in the latest fiscal year... Sorry, I'm comparing February 2004 to February 2005 for a sort of year-over-year comparison here, so I have a number that's not quite lined up with the fiscal year, but essentially...of that...845,000 were individuals in total across all of Canada, and just under 1.4 million of those transactions were effected by businesses, actually. It's more, perhaps, business people coming in to the counters than individuals.

We have done some further looking at options, and some of those people are bringing actual cash, but many are just bringing cheques that could just as easily have gone in the mail. We are doing that type of analysis.

As you yourself noted, these changes aren't to go into effect till the next fiscal year, so we have this year to make sure we plan well, educate our clients about the alternatives, and work to mitigate any negative impacts of these changes.

• (1140)

Ms. Judy Wasylycia-Leis: You said many of them might be businesses, but I wouldn't mind a breakdown of the kinds of businesses as well. I would assume many are small businesses that are not able to access banking services because the banks have up and left, and they may find this the quickest, most efficient way.

John McKay wants to laugh at that, but in the case of Winnipeg North, we lost all of our banks, so people don't find it that easy to go to banks. These are folks who can't necessarily afford the Internet services that make it easier to access the information and then do the banking by the Internet or by whatever else new technology offers. I'm talking about people who don't have the benefits of all that new tech and don't want to use it, like seniors.

It's important for us to know that if CRA does stick with this cut, the fact is you won't be able to walk in and get answers to your individual or business tax questions; you have to make an appointment. You can't walk in and get help with your tax return, even if you're from out of town or have come by way of bus from a long way off. You can't just pop in when it's a burning question. You won't be able to walk in and solve problems with your family tax credit or your GST rebate. You won't be able to drop off a tax payment. You won't be able to make any cash payment at any CRA

location. You won't be able to receive a receipt immediately from CRA for your payment. Now, I think those are important services.

I know you're saying it's a small number and it's not that important, but I think in the overall scheme of things it is important in terms of building confidence in our system, encouraging people to be responsible for paying their taxes, and making it as easy as possible. Surely in this day and age it would have been wise to keep that service in place and maybe combine other functions and make the offices multi-faceted as opposed to eliminating them and making these options disappear.

Is there any way the department might reconsider this over the next year before it happens? Are you sending people out to these 47 locations on April 28 and May 1, when people are going to be lined up at noon hour, just to see the impact? Do your impact studies actually measure the impact at peak hours?

I really question the wisdom of this. Is it really cost-effective, and is this the smartest thing government could do right now?

Mr. Michel Dorais: To answer the last element of your question as to whether it is cost-effective, I can say absolutely, it is very cost-effective.

Now, you've raised some very significant and important issues, and in fact I've been to the Winnipeg office personally as well. There are people who have very special needs, which will be taken care of, people who have difficulties dealing with other institutions; those are special.

But I would like to think that as a result of this, in the end the level of service to Canadians will be higher. They will be able to go to all the banking institutions, and rather than sit in line and wait for their turn to see an agent, they will be able to make an appointment and be sure that at 10 o'clock they'll be able to sit down and see someone who will take care of their business. We are not closing our services to clients. We're closing the walk-in counter and the cash counter. This is a very important distinction. There will still be people there serving Canadians who have an issue.

We will also use all the outlets of Service Canada to give the basic information to Canadians so if someone is living outside the major centre, they do not have to drive to the major centre to get a form. They'll be able to get it throughout the country through different outlets.

Now, will it inconvenience people? Yes, it will inconvenience people. Obviously, we have a mandate to serve the public, and if the inconvenience is dramatic, we will look at all possible ways of attending to that. But in terms of our being responsible for managing taxpayer money in administering that and offering a certain level of service, it is extremely cost-effective.

• (1145)

Ms. Judy Wasylcia-Leis: Mr. Chairperson, I would just like you to make sure that we request and get a full impact analysis of this decision, as well as a gender-impact analysis.

The Chair: Thank you.

Mr. Solberg.

Mr. Monte Solberg: Thank you very much, Mr. Chairman.

I just want to follow up on something that Mr. Hubbard asked. When it comes to church groups and the issue of same-sex marriage, does the agency regard it as legitimate for them to talk publicly about their views on these things, given the fact that the decisions the government may make might have a fundamental impact on the church? Does the agency not recognize that it is legitimate for them to speak out about this, especially given the rhetoric we've heard about the government supporting freedom of religion for these groups?

Mr. Michel Dorais: I will not comment on specifics, but there is legitimacy, and we recognize it.

If you don't mind, I will ask Mr. Gauthier, who's the expert in the area, to comment on that question.

Ed.

Mr. Ed Gauthier (Acting Assistant Commissioner, Policy and Legislation Branch, Canada Customs and Revenue Agency): The purpose of the charitable registration system is, of course, to recognize the charitable work of various entities. The purpose of a charity is to carry out charitable activities.

In the act, a charity is precluded from getting into political activities or supporting or opposing a particular party. There is a third category of activity that can be undertaken by a charity up to certain limits, and that would be the example you gave, the same-sex type of issue. In most cases it is acceptable, if you will, that up to 10% of the resources of the charity are used in doing that kind of activity, as long as it's related to the purpose of the charity.

Mr. Monte Solberg: So is it the policy of the agency to apply this equally to all groups? Because the allegation has been that this was not applied equally to all groups, that certain churches who were in favour of same-sex marriage did not receive these threats, but those who were opposed to it did. This is of great concern. Canadians are already concerned that this whole issue could potentially lead to an undermining of religious freedom in this country, and in this particular instance the allegation is that churches like the United Church did not receive the same kinds of warnings about speaking out on this issue, because they were in favour of same-sex marriage, whereas other churches of course did get warned.

Mr. Michel Dorais: If I may deal directly with the question, first, on the issue of threats, it is certainly not the policy of the agency to threaten any taxpayer in Canada; it is not our mode of operation.

If the question is was there any directive or direction given politically to the agency to act differently, the answer is a categorical no.

Mr. Monte Solberg: That's not the question.

Mr. Michel Dorais: But if that is what's behind the question, the answer is no, and I did not give any direction either. So if you want to—

Mr. Ed Gauthier: We make no differentiation whether you're for or against. The advisories that we gave to the community were an explanation, if you will, of what the role of a charity is, etc.

Mr. Monte Solberg: Right, right. But it went to all churches?

Mr. Ed Gauthier: There was a public advisory put out, yes—not necessarily to all churches, but to all of the community.

Mr. Monte Solberg: Oh? The allegation is that some churches were specifically warned about this and others were not.

Mr. Ed Gauthier: Well, it depends on what they were doing: if they were inside they wouldn't have been advised; if they were offside, they probably would have been advised.

Mr. Monte Solberg: It just strikes me as odd, when this is obviously a very contentious issue, with groups on all sides speaking out about it pretty vociferously, that the specifics of the directives, the specific warnings, were issued only to one side, from what I can gather.

• (1150)

Mr. Ed Gauthier: We make no differentiation for or against.

The Chair: Thank you, Mr. Solberg.

Mr. Bell.

Mr. Don Bell (North Vancouver, Lib.): That was one of the questions I wanted to pursue. That has more or less answered my question, but I'll finish the question.

If I understand it, a church is not in violation of its charitable status by virtue of discussing an issue with its members because it may affect the beliefs of the church. One of the issues that had been raised was on whether or not church sermons that related to content in the Bible, for example, in the case of Christian churches, would constitute a loss of charitable status. One was the issue under hate legislation and the other is on the question of charitable status.

Simply advocating a line that may relate to the issue of same sex, or some other aspect that is in conflict with or supported by virtue of that church's beliefs, would not bring into doubt its charitable status. It's a question of whether they became politically active in terms of individual candidates advocating for or against a particular candidate.

Is that correct? Is it more focused on the issue rather than dealing with the specific politics of it?

Mr. Ed Gauthier: To answer your question, that is basically true. We are looking at whether that organization is carrying on charitable activities, versus an organization whose main purpose is to lobby. That's the main purpose.

Mr. Don Bell: Thank you.

The next question is on the issue of privacy of information. I am curious, and it may be a very simple answer. Are there any implications at all for taxpayer information, confidentiality, privacy, and the American Patriot Act? Is there any storage of information in the U.S.? Is there any exposure to the American Patriot Act? What are the implications of that?

I am thinking of banks. Has the issue come up?

Mr. Jim Ralston: We're well aware of the issue. We've examined the situation. Of course, the two areas of concern with the Patriot Act are on data that is stored in the U.S. and data that might remain in Canada but is controlled by a U.S. company.

We looked at both of those angles. In both cases, we determined that we do not store any of our data outside Canada, and we don't deal with any U.S. contractors in such a manner that they would have access to sensitive data. We feel that our general concerns around privacy happen to work in our favour in this case, and we feel that we're quite well protected.

Mr. Don Bell: On the data that you store, is it stored by the government or is it stored under contract with private companies?

Mr. Jim Ralston: We basically maintain control of our data.

Mr. Don Bell: So it's government data banks as opposed to contracting it out.

Is there any contracting out of your financial services? When I say financial services, I mean the operations of Revenue Canada, as such.

Mr. Jim Ralston: I would have to say that we don't in any material way, but we deal with contractors in various contexts.

Mr. Don Bell: It's for janitorial services or things like that.

• (1155)

Mr. Jim Ralston: It's that kind of thing.

I can think of one specific example with respect to the administration of visitor rebates. For example, we enter into some contracts with duty-free organizations to handle paperwork at the border. We're talking about a very low volume for that kind of activity.

Mr. Don Bell: For that information, again, those wouldn't be companies that would be subject to the Patriot Act. In other words, Canadians can rest assured that their income tax information is not accessible through the Patriot Act.

Mr. Jim Ralston: We're quite confident that we're very well protected there.

Mr. Don Bell: Thank you.

The Chair: Thank you, Mr. Bell.

Monsieur Côté.

[Translation]

Mr. Guy Côté: Thank, Mr. Chairman. I have one quick question and then I will give the floor to my colleague, Mr. Bouchard.

I want to come back to the question of issuing tax receipts for charitable donations to churches. If I understood your answer correctly, some churches, after having taken certain political positions, were no longer fulfilling their organization's charitable mission. They found themselves in the situation where they could no longer issue receipts for charitable donations.

Did I understand correctly?

Mr. Ed Gauthier: Yes, you did. We checked on the amount of resources and the time dedicated to this activity.

Mr. Guy Côté: Perhaps you could give me a little update, because I haven't looked at this issue for a long time. Unless I am mistaken, the Canadian Unity Council can issue charitable tax receipts. I recall that a little over a year ago, this was changing: there had been a certain media follow-up to the fact that the Conseil de la souveraineté du Québec, among others, being essentially a political organization, could not issue charitable tax receipts.

My question has two parts. Firstly, am I to understand that the Canadian Unity Council is not a political organization, but a true charity? Secondly, has this situation changed?

Mr. Ed Gauthier: This predates my involvement with charitable organizations. I therefore cannot answer that question.

Mr. Michel Dorais: I think the committee will understand that we cannot give them an answer, therefore—

Mr. Guy Côté: You might have known the answer to that question. I can understand that you don't.

Mr. Michel Dorais: We will provide you with the answer.

Mr. Guy Côté: I would appreciate that very much.

Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ): Thank you, Mr. Chairman.

Before the Revenue Agency became an agency, it was the Department of Revenue. I believe it became an agency approximately five years ago.

How does its status as an agency give it greater productivity, efficiency, and even a greater capacity to innovate compared with its former status as a department? Has this issue been studied? Could you comment on the difference?

Mr. Michel Dorais: Yes I can. Indeed, the committee receive the minister's report concerning the past five years. I think we will have an opportunity to discuss it in greater depth.

I've worked in many different departments during the 28 years that I've been in the public service. Now that I work for this agency, I must say that I have noted, within hours of my arrival, the difference between an agency and a regular department. I think that this change occurred when the agency was created and especially when its board of management was created.

The board of management is not an advisory body, but it does have certain powers conferred upon it by Parliament when it passed legislation to that effect five years ago. The fact that public service officials are accountable to this board, which is made up exclusively of representatives from the private sector, except for me, has made this organization much stricter than any other department where I had the privilege of working. Over the years, this accountability has allowed the agency to develop an administrative rigour that draws from the best of the private sector and of the public sector, as I like to say.

Mr. Robert Bouchard: However, you are not in a position to quantify these gains. Essentially, you're talking about advantages, accountability in particular, as compared to a department.

Mr. Michel Dorais: As a matter of fact we can quantify the gains. In the very substantial report that we tabled before the committee on Monday—it is about 60 page long—we try to quantify all the gains that were achieved over the past five years. The productivity gains were certainly enormous, but it's especially the gains in terms of rigour in our reports that are noteworthy. The auditor general has describe our annual report to Parliament as being one of the best. This type of report was imposed on us by the board of management. I think that that where the difference lies.

Mr. Robert Bouchard: I have another question. We know that right now taxpayers make increasing use of the Internet when filing their tax returns. I think this phenomenon has been quantified and there are in fact savings to be achieved when taxpayers file electronically rather than sending their return by mail.

Have you quantified how much you save when a taxpayer completes his or her tax return through the Internet rather than otherwise?

• (1200)

Mr. Michel Dorais: Yes we have. However the quantification is somewhat more complex than a simple equation. The agency saves about \$2 per tax return. For the taxpayer who completes his tax return directly through the Internet, the saving can be substantial; it all depends on the software being used. For example, a taxpayer can save the fees that he would pay an expert for preparing his tax return. Refunds can be processed much more quickly when a taxpayer files electronically.

All sorts of savings can be achieved, but for the agency itself, the saving is about \$2 per return.

Mr. Robert Bouchard: Do I have time for one last question?

The Chair: No.

Ms. Ambrose.

[English]

Ms. Rona Ambrose (Edmonton—Spruce Grove, CPC): Thank you, Mr. Chair.

Thank you, Commissioner, for being here, and congratulations on your new job.

I thank all of you for being here today.

I don't necessarily have a controversial question for you, but it's something I would like you to touch on a bit. It's with respect to the

CRA's partnering with international institutions. I was thinking about the increase in trade globalization and Canada's participation in that. That obviously means that the CRA is going to be having a larger role in that area as well, along with some of our other financial institutions and agencies. I wonder if you could talk about in what ways and with which multilateral organizations or international organizations you do partner with.

Mr. Michel Dorais: Thank you.

This is something I've had a little bit of experience with. I think two weeks or one week into the job I had to go to Arizona to meet with the OECD tax administrator. There's no international institution on tax, but there are a number of groups that have gotten together. The OECD obviously is extremely active in harmful tax practice, bank secrecy, and all the other elements related to the tax havens and aggressive tax planning.

The Pacific Association of Tax Administrators, which has Canada, the United States, Australia, and Japan as members, is meeting regularly to exchange strategies and exchange information. Canada is also a member of the advisory committee to the OECD called a TAG. Don't ask me what the initials are for, but it's the same group augmented by the Netherlands, France—am I forgetting one, no, I think that's it—that advised the OECD on tax issues. Canada is a member of the Inter-American Centre of Tax Administrations, which had their meeting in Buenos Aires recently, and we are a member of the Seven Country Tax Haven Group, which includes Canada, Australia, Japan, the United States, France, Germany, and the U.K., and deals specifically with tax haven issues. Those are the main ones. The next meeting of the OECD is in Dublin, in June, which I'm planning to attend as well.

Ms. Rona Ambrose: You mentioned a lot of different countries. I notice you didn't mention the U.S. as a partner in a lot of those—

Mr. Michel Dorais: It's an oversight. They are a member. Sorry.

Ms. Rona Ambrose: Thank you.

I also had some very specific questions in terms of the estimates. I wanted to ask you about what explains the significant increase in the forecast spending in terms of the funding for collective agreements and awards signed in 2004 and 2005. Forecast spending is \$81 million, and planned spending for 2007 and 2008 has gone up to \$156 million. I wonder if you could tell me what...

Mr. Michel Dorais: Those numbers are calculated when the collective agreements are signed and enter into force. This is an incomplete year and the next year is a complete year.

Ms. Rona Ambrose: I have one other quick question on that same note that was outlined in the estimates. That is in regard to the national initiative to combat money laundering. The forecast spending was \$4 million in 2004 and 2005, but there's no planned spending in 2005 to 2008. I'm just wondering why that is.

Mr. Michel Dorais: That is a number that's been captured in the supplementary estimates and is rolled into the main estimates for the following years.

The Chair: I didn't understand the answer for the \$81 million going to \$156 million. You have \$81 million and then \$92 million, and then all of a sudden it jumps, so it's not a one-year discrepancy.

•(1205)

Mr. Michel Dorais: I'll defer to Jim.

Mr. Jim Ralston: The collective agreement that was signed in December of 2004 I think is the major influence here, but there are other influences on that line. There were some things that had a particular impact in 2004-2005. The point made by the commissioner is that we see the impact of the collective agreement sort of ramping up with a part-year in 2005-2006, and then as it gets into the two following years it gets larger. There is some escalation in the awards, so there's a bit of a progression because of that.

The Chair: Can I ask—

Ms. Rona Ambrose: Did you understand that?

The Chair: No.

Is it an escalation of 50%, or 30%, or almost 40%? The number we're looking at is that in 2005-06 it's \$92 million, and in 2006-07 it's \$132 million.

Mr. Jim Ralston: First of all, this is obviously not the total salary bill of the agency. We're talking about the increment needed to take the salary budget from its former level to its new level as a result of the collective agreement. So we're working on the margins to begin with.

Then there is an escalation. I believe it went something like 2.25% to 2.5% in subsequent years, so there's that influence as well.

Plus, there was an influence around some executive compensation and a terminable allowance issue in one year for a particular category of employee.

The Chair: Ms. Ambrose, go ahead.

Ms. Rona Ambrose: Sorry to return to the same question.

The Chair: Sorry to interrupt.

Ms. Rona Ambrose: That's okay. Thank you. It helped me understand it, as well.

Could you explain to me again why there's no planned spending for the 2005-08 period with respect to the national initiative to combat money laundering?

Mr. Jim Ralston: Sure.

Again, you'll notice that on the page that I think you're looking at, page C-1, the number you're looking at, the \$4,921,000, falls under the bold heading of something called "Supplementary Estimates". Appropriations are voted periodically through the year. What we're dealing with today are the main estimates, which are the bulk of the budget, and then there are minor amendments throughout the year.

What happens is that sometimes something will appear in the supplementary estimates—as in this situation—but when it comes to how it gets reflected in subsequent years, it gets rolled into the main estimates figure. So the program continues, the funding continues, but it's the presentation that is different because of whether it appears as a supplementary item or a main item.

Ms. Rona Ambrose: I have one other question about the estimates, and that's with respect to tax shelters.

In budget 2003, the forecast spending in 2004-05 was \$1 million, and the planned spending for 2005-06 is \$5 million. I'm wondering why the planned spending is expected to more than—

Mr. Jim Ralston: It was because in that particular case, for the initiative that's being funded, in 2004-05 the approval would have been given part-way through the year. We wouldn't have had the opportunity to spend a full year's worth of budget. So that was taken into account, and we got a partial funding for that first part-year. The ongoing level is what is shown, at around \$5 million. It just represents the difference between a part-year and a full year.

Ms. Rona Ambrose: Thank you.

[*Translation*]

The Chair: Mr. Kay, you have the floor. Then it will be Mr. Bouchard's turn,

[*English*]

and then we'll go back to Ms. Wasylycia-Leis.

Hon. John McKay: Thank you, Chair, and thank you, witnesses.

I want to explore a little bit further the questions raised by Monsieur Côté and Ms. Ambrose concerning these tax conventions, tax treaties, and so on. You listed off a whole bunch of organizations to which Canada belongs.

It strikes me that the progress that can be made in this area is directly correlated to your weakest member. By that I mean that if all the OECD nations, for instance, have a variety of levels of cooperation, the enforcement in the area is essentially limited to what the weakest member of the OECD, or name whatever organization you wish to name, moves forward. Am I right in that assumption?

•(1210)

Mr. Michel Dorais: I don't know how to answer the question.

We have treaties with 83 countries right now that are negotiated and signed mainly under the leadership of the Minister of Finance and the Department of Finance.

Then, of course, there are countries that have been labelled as tax havens, which are really countries that have either strict bank secrecy rules or that have doubtful tax regimes, or with whom we cannot share information. Quite often, some of those countries—not all—are involved in some doubtful tax planning operations, which we're going after, but the OECD is certainly putting pressure on those countries to free up access to information and to sign treaties.

I don't know if that answers your question.

Hon. John McKay: You have I don't know how many countries in the OECD, twenty-odd countries, and each of them operates under a tax regime that would have a variety of relationships to these "tax havens". Canada is effectively precluded from doing anything unilaterally aggressive, shall we say, with respect to any of these countries, in part because of its other OECD partners but in part because of the variety of tax havens you've described, for various reasons.

I'd be interested in a kind of bigger picture of the problems that are faced through the enforcement of that particular issue.

Mr. Michel Dorais: I'll defer to John, because I have not attended some of those meetings.

Mr. John Kowalski: I think it's fair to say it's widely recognized that there are nations that are tax havens and that this has to be addressed with our international partners. It's very hard for any one country to go it alone and to make any effective progress if the other countries aren't moving along the same way. This is why the OECD does have two major initiatives, one on harmful tax practices and the other one on bank secrecy, to try to address those two issues, which are the key ones in relation to tax havens.

When they did their work on the tax practices within the OECD countries themselves, they found there were 47 tax practices that could potentially be considered to be harmful. Over a number of years, when they looked at each one of those, they eventually narrowed them down to only two that required further discussion. A number of them were abolished, a number of them were amended, and about thirteen or so were found not to be harmful after all, so they ended up with only two from the OECD countries that did in fact still have some semblance of being harmful tax practices.

In essence, as you point out, it does require international cooperation to address an issue like tax havens. It would be very difficult for any one country to go it alone.

Hon. John McKay: I'll just briefly follow up on that point. We spend a lot of time around here huffing and puffing about entities that choose to use tax havens to either evade or avoid taxes, yet we as a government and we as a nation are somewhat limited in our ability to unilaterally pursue those kinds of entities or taxpayers aggressively, in part because they can site themselves according to the most favourable tax treatment they can obtain.

Are you at this stage more satisfied or less satisfied with the disclosure you get from the so-called tax havens?

Mr. John Kowalski: I think that for the most part, in terms of the OECD countries as well as the other countries that are traditionally thought of as tax havens but that have been found by the OECD to be cooperative jurisdictions.... In other words, there's a list of about 33 countries, I think, they have now identified to be cooperative in the sense that they are working with the OECD to enhance their exchange of information and to eliminate bank secrecy provisions in their tax regime.

Progress is being made over time in terms of being able to have access to information. I believe the OECD still has a list of five countries they consider to be uncooperative tax havens, if you will. Certainly, it's very difficult to get information from those countries.

• (1215)

Hon. John McKay: Are the names of those five countries in the public domain?

Mr. John Kowalski: Yes, they are. They are listed on the OECD website.

Hon. John McKay: And what are they?

Mr. John Kowalski: Those five countries are Andorra, Liberia, the Principality of Liechtenstein, the Republic of the Marshall Islands, and the Principality of Monaco.

Hon. John McKay: There's a prize if you can put those on a map.

Thanks very much.

The Chair: Thank you.

We're going to try to wrap this up a little bit early. I have Mr. Bouchard, Ms. Wasylycia-Leis, Mr. Hubbard, and Mr. Bell. Then we're done.

[Translation]

Mr. Robert Bouchard: Thank you, Mr. Chairman. I have a supplementary question to the one I asked earlier about online filing of tax returns.

In the Saguenay-Lac-Saint-Jean, where I live, we've had a tax processing centre for about 20 years now. The union representing this centre's employees ran an advertisement in our newspapers asking taxpayers to file paper returns. It's stated that when a taxpayer files online, the return is processed in Ottawa, where the work is centralized. Therefore the tax processing centre in my region loses work.

When a taxpayer files online, does this contribute to centralizing operations in Ottawa and consequently reducing the processing of tax returns in tax processing centres such as the one in my region? When there is a reduction in workload, that necessarily translates into a reduction in staff.

Mr. Michel Dorais: That is an excellent question. In fact, it raises two questions.

Does this contribute to centralizing the work in Ottawa? The answer is no. There is no direct correlation.

Does this have an impact on one of the tax centres? I think there are seven across the country. The answer is definitely yes, it does have an impact. I have seen it for myself; I went there in person. The impact is very clear, particularly in remote areas.

My team has taken on quite a challenge. Over the next five years, the agency wants to increase its clientele as well as the type and number of services it can offer. We believe that we can provide various levels of government with very competitive service in the area of tax collections and other things, as well as of benefits administration. I hope that in the coming years, the increase in its clientele will mean we can make maximum use of our infrastructure and our staff, which is already trained and who are excellent employees.

I want a positive approach, but on line filing of tax returns definitely has an impact on the entire organization and on the places where we carry out our work.

Mr. Robert Bouchard: Thank, sir.

The Chair: Thank you.

[English]

Ms. Wasylycia-Leis, then I have Mr. Hubbard and Mr. Bell.

Ms. Judy Wasylcia-Leis: I'd like to talk a bit about the Internet vis-à-vis access to information—not so much about filing of income tax, but rather about direct access to real people with real problems. You said that over the next five years you want to improve service by cutting back on direct counter service, where you don't have to make an appointment, and by making it impossible to pay your taxes at these offices. I think this policy flies in the face of everything you're saying about providing service to Canadians.

We all get concerns from constituents. I think there's a trend here, which is also being followed with respect to immigration. The department has started shifting its responsibility, moved towards computer service, and changed its way of doing business. It wasn't possible to access people directly. What happened? You offloaded it all onto MPs offices. We have an obligation to provide direct service; people can drop in any time.

In the last seven years, our immigration problems have gone from 20% of our caseload to 90%, because of these very things you're doing at Revenue.

You're starting to do the same to us with income tax. People are coming to us already. They're not coming to complain about being in line, waiting for an appointment. They're starting to say, "How am I going to get access in the future?"

I have an e-mail from someone in Montreal that says, "Your department has adopted a policy whereby virtually all information regarding tax department policies, interpretations, and guidelines is now inaccessible unless one is connected to the Internet." I'd like your response to that.

He goes on to say that this relates to a political decision to move the form services from Montreal to Shawinigan, to the detriment of those using the service in Montreal. He does not feel that he should be compelled by his own government to pay for Internet services to obtain information.

On another issue, he says the current general income tax and benefits guide lists no telephone numbers at all to reach the information services of CRA.

I need your answers to those two concerns. But the general issue is being able to access real people when you need them. When people have a burning issue and they don't have the ability to describe it, they need to walk in. They'll wait, but they need to be able to talk about it.

You're creating a nightmare for MPs and a PR problem for your own government. This government is feeding the perception that it will let big freeloaders go and allow tax havens to multiply, while pursuing ordinary taxpayers who owe a few dollars to the ends of the earth. Then you make it impossible to pay. You take away the ease by which it is possible to get questions answered, deal with frustrations, and pay your tax bill.

•(1220)

Mr. Michel Dorais: Our objective is better service. The reality is that Canadians are already communicating with us in large part through the Internet. In fact, we're about 54% or 56% Internet filing this year. But they can communicate with us by phone as well, and we are answering.

They will be able to come, make an appointment, and meet with someone in person. The only difference—and the member is right—is that someone will not be able, on the spur of the moment, to say, "Wow, I've got to meet an income tax expert", and then walk into the office and talk to the expert.

They'll be able to walk into Service Canada's office and get the forms. They'll have someone there who will show them how to use the Internet on the spot. We will take care of special clients through our outreach and volunteer programs who need help to fill out their income tax reports.

So the only difference is that you may not have to wait to get service in line. You may have to make an appointment. It will inconvenience some people; there's no doubt about that.

To give you an idea of the costs, a telephone inquiry costs the agency \$5.23. A counter inquiry is \$10.48, average. So the actual economic argument on behalf of Canadian taxpayers is huge. But our objective remains, how can we balance the economic argument with a high level of service to Canadians?

The Chair: Thank you.

Ms. Judy Wasylcia-Leis: For clarification, will all forms be available? Can people walk into any CRA office and all forms and interpretations and guidelines will be available on demand?

•(1225)

Mr. Michel Dorais: The forms will not only be available in CRA's offices, but in all the Service Canada offices. There will be terminals there where all the forms can be downloaded, and there will be some help.

Ms. Judy Wasylcia-Leis: Why was someone in the Montreal federal tax office not able to access forms?

Mr. Michel Dorais: True. Most of our forms are printed on demand now, and there will be terminals available to print those forms, or the forms will be available in all the outlets.

Ms. Judy Wasylcia-Leis: It seems to me there might be a problem now with people walking in and not being able to get—

Mr. Michel Dorais: We can look at the problem right now. It shouldn't be the case, because we didn't move on that.

Ms. Judy Wasylcia-Leis: And what's the issue regarding the telephone information services?

Mr. Michel Dorais: I don't know.

Ms. Judy Wasylcia-Leis: There is no listing of the telephone number to access information services.

Ms. Barbara Slater: I think our number has been widely disseminated. I'm surprised the constituent found that, so perhaps I can look into the specifics.

The Chair: Thank you.

Mr. Hubbard.

Mr. Charles Hubbard: Thanks, Mr. Chair.

First of all, following up on Mr. Solberg's question to Mr. Gauthier, he indicated that a committee reviews complaints that are received about charitable organizations that may be violating policies. Where is that committee? How does it work, very briefly? What is it called and how does it decide to send a warning letter to certain groups that may be violating the charitable donations policies?

Mr. Ed Gauthier: We sat down with various committees made up of the charitable organizations themselves to let them know what the rules are and to explain to them what they were supposed to do and what the implications are, say, during an election—

Mr. Charles Hubbard: This committee, though, is it established by order in council? How does it exist?

Mr. Ed Gauthier: No, no, these are just advisory committees.

Mr. Charles Hubbard: How is it appointed? Who is on the committee? How do we know who the committee is, as members of Parliament?

Mr. Ed Gauthier: I don't see it as something that is privileged by any means. You can just let us know and we'll let you know—

Mr. Charles Hubbard: So a committee with names is available and it's open to the public?

Mr. Ed Gauthier: They're consultation committee meetings.

Mr. Charles Hubbard: Yes, and that committee was the one that decided to send out letters to certain organizations as a result of the—

Mr. Ed Gauthier: The committee doesn't decide to send out the letters. We decide to send out the letters.

Mr. Charles Hubbard: On the basis, though, of their.... Are there minutes kept for that committee?

Mr. Ed Gauthier: I don't remember, to be honest with you.

Mr. Charles Hubbard: Can you ask this committee if there are minutes and if they might be available? I'm thinking especially of Bishop Henry, who has attracted a lot of attention. We would like to know as a committee how it works, if there are minutes, what the recommendations are, and what the actions are.

Mr. Ed Gauthier: Certainly I can let you know how we advise the—

Mr. Charles Hubbard: Moving on to the second question, I'm always impressed with the software and the availability of information through your agency. It seems remarkable that our offices are so effective and are able to relate to individuals so quickly and so efficiently in terms of their inquiries. For your software, first of all, what language are you using?

Secondly, who is the provider? Is it done in-house, or do you have an outside agency that does it? Are there major contracts issued in order to provide service of that nature?

Finally, is there a major backup? I would assume that you must have a major vault full of activity reports from the last 10 or 20 years to maintain the system. With the changes in computer language, you must have a very effective system of technology that enables our

taxpayers to have such tremendous access and you as a department to have such tremendous reports available, almost at your fingertips.

What is the language? Is the provider in-house or out-of-house? If it's out-of-house, are there major contracts issued each year to maintain and change that language and to change the software that's being used?

Mr. Michel Dorais: The answer to all those questions is probably yes. In other words, we do have the highest concentration of high-technology specialists. I can't remember the exact number, but it is the most concentrated shop. Those employees are not contractual; they're permanent employees of the agency. Therefore, they're trained to work on our system and are very efficient.

The proper answer to the language issue would probably be to talk about languages, because there are a number of languages. We are operating on some very old systems written in COBOL and some very cutting-edge systems using the Internet platform, and joining all those systems together.

Am I on the wrong track?

Mr. Charles Hubbard: I think you're on the right track, but when you go back to COBOL and you're moving into the future, we have concerns. In our overall departments, we have probably a dozen different languages. No one can communicate with anybody.

But I have limited time here, and I want to congratulate whoever your staff members are working on that.

● (1230)

Mr. Michel Dorais: It's Mr. Pat Beynon.

Mr. Charles Hubbard: It must have meant tremendous activity, and it was very well done. But I would think that in the near future, if you're changing over, you'll have a major problem in terms of trying to bring this all to one consensus and one language among the reports.

Mr. Michel Dorais: Yes. In fact, we do not change everything at the same time. Quite often, it is much safer to work on a bridge between an old system and a new system than to try to start from scratch and rebuild an entirely new system. So every year we gradually do some improvements.

Mr. Charles Hubbard: Thank you, Mr. Chair.

The Chair: Thank you.

Mr. Bell.

Mr. Don Bell: Thank you.

You gave a quick figure there on the difference in cost between phone calls and Internet use. What were your figures?

Mr. Michel Dorais: We measure everything at the agency. Just as an indication, a telephone inquiry is estimated at \$5.23. A counter inquiry is \$10.48. A correspondence inquiry is \$13.69. And other than the development point, the web inquiry costs nothing, or virtually nothing; it's negligible.

Mr. Don Bell: Okay.

There will be Internet access points in your offices, then. If someone drops in, as Ms. Wasylycia-Leis said, and the forms aren't there in a booklet form, they can print them there. They can go onto the website and do things at that point. If they don't own a computer themselves, they can use the computer there.

Mr. Michel Dorais: Of course, we haven't worked out the details, but reception will be there, and they'll be able to make an appointment on the spot. They'll be able to consult some material. There'll be terminals and forms at all the Service Canada offices. We have 47 offices.

Service Canada is planning how many offices?

Ms. Barbara Slater: Over 300.

Mr. Michel Dorais: Over 300, right.

So we're moving from 47 points of service to over 300 points of service for those basic services.

Mr. Don Bell: As well, do you have any experience with regard to the accuracy of computer filing programs? I'm thinking of the ones you can buy at your local computer shop, or a drugstore, for doing your own home income tax forms. I'm just curious, is there a percentage of possible deductions being missed because of those programs, or is the percentage being reduced because of those? For instance, they ask you questions that you might not think of if you did your own income tax, as opposed to going to a tax expert to do it for you.

I know some of the brands that are out there, but are there any brands that you don't recommend because you've had problems with them? Are they listed as the ones you would recommend because they meet your requirements—for example, CCRA-approved or non-approved?

Mr. Michel Dorais: I'll let Barbara answer, because she manages that.

Ms. Barbara Slater: Actually, the accuracy of filing is improved with the computer software. That's one of its advantages to our clients. It will prompt them for errors that they might have made, and remind them to make deductions or credits that they might not have otherwise thought to do.

We go through an extensive program with the software industry. We put out RFPs. We include the specifications. Any software manufacturer is able to propose a product to us, but it has to go through our rigorous testing processes to ensure that it is in fact accurate and is respecting all of the rules. Only the certified products are then allowed to say they are NetFile-certified products. There were 12 certified products put out by eight companies this year. They are listed on our website. And you would see some indication in the store of which software packages have been certified.

Mr. Michel Dorais: Just on that, I was in Sudbury recently, and the error rate for hand-filled, keypunched taxpayer returns is a little over 40%. The error rate for net filing is under 3%, at that location, anyway. So the numbers are dramatic.

•(1235)

Mr. Don Bell: Thank you.

The Chair: Thank you.

We're going to stop here.

Mr. Don Bell: I have one comment.

The Chair: You have 30 seconds.

Mr. Don Bell: I'm curious about those statistics. What's the error rate when they're filed by an expert, if you go to a tax service?

Mr. Michel Dorais: I don't know. I have no idea. We'll see if we have this.

Mr. Don Bell: I'm curious as to whether you measure anything.

Mr. Michel Dorais: Yes. As I say, we'll provide it.

Mr. Don Bell: Thank you.

The Chair: It depends on the information that you give us.

Hon. John McKay: Don't blame it on the accountant. Never blame it on the accountant.

Mr. Don Bell: It's not the accountant's problem, is it?

The Chair: Don't blame it on the accountant, that's all I have to say. It's never the accountant's fault.

Thank you, Mr. Dorais, and the rest of the officials.

For the members, if we can go directly to the question on the votes, we can do the first one, which is on votes 1 and 5, under the Canada Customs and Revenue Agency, referred to the committee on Friday, February 25

[*Translation*]

under Canada Customs and Revenue Agency.

Canada Customs and Revenue Agency

Vote 1—Operating expenditures.....\$2,317,891

Vote 5—Contributions.....\$115,000

Shall vote 1 less the amount voted in interim supply carry?

(Vote 1 agreed to on division.)

The Chair: Shall vote 5 less the amount voted in interim supply carry?

(Vote 5 agreed to on division.)

[*English*]

The Chair: We have a little bit of a problem on vote 25. I don't know if everyone has a copy of the main estimates. It's on the Canadian International Trade Tribunal. We had it referred. Don't ask me why. It's part of the list.

Mr. Monte Solberg: It's part of our estimates.

The Chair: It is part of our estimates. Can we approve it?

Ms. Rona Ambrose: Where is it?

The Chair: We didn't have any witness on this. I don't think that you asked any questions at the other meeting.

Mr. Charlie Penson: My understanding was that it wasn't supposed to come to us.

The Chair: It is supposed to come to us. We checked it, double-checked it, and triple-checked it.

Mr. Monte Solberg: Yes, it was in our estimates. I remember seeing it.

Mr. Charlie Penson: I thought the direction was that it wasn't going to come to us.

The Chair: Yes, originally it wasn't to come here. Then it came, and I had it double-checked.

Hon. John McKay: What happened?

The Chair: It's referred to us.

The only thing I can do is I can read what it says here:

The Tribunal acts as an administrative court when carrying out its quasi-judicial functions. It conducts inquiries that are open to the public. It has rules and procedures similar to those of a court of law, but not quite as formal. The Tribunal is a superior court of record and can subpoena witnesses, hear evidence and hold public hearings.

Mr. Monte Solberg: We're okay with that, Mr. Chair.

The Chair: Can we dispense with this?

Hon. John McKay: Okay, let's go.

The Chair: May I ask the question?

Mr. Monte Solberg: Yes.

[*Translation*]

The Chair: Let us move on to the vote.

FINANCES

Canadian International Trade Tribunal

Vote 25—Programmed expenditures.....\$8,170

Shall vote 25 less the amount voted in interim supply carry?

(Vote 25 agreed to on division.)

[*English*]

The Chair: Okay. Before I adjourn, I have three points of housekeeping.

On the first week back, we're going to try to start the review on the Canada Customs and Revenue Agency. Everybody received a package already from the clerk's office, so don't say that you didn't receive it.

Mr. Monte Solberg: I didn't receive anything.

Hon. John McKay: I didn't either.

The Chair: Okay. You probably didn't, but maybe your staff did.

There's a letter from John McCallum, but behind that there were two large packages of CCRA review plans and priorities, or something like that. I didn't carry it with me.

Ms. Judy Wasylycia-Leis: When did the package go out?

The Chair: It came in last week. Maybe it was this week.

The Clerk of the Committee (Mr. Richard Dupuis): *Non, hier*; we received a packet telling us what it was.

The Chair: Okay. It was yesterday.

Mr. Don Bell: Could you send an e-mail to staff telling us what was sent, and the colour of it, whatever it is?

The Chair: Okay.

On the other week back, if we don't get an answer from Mr. O'Neill, we're going to do Bill C-259, because we have to report back at the end. I think that everybody received an e-mail on any witnesses in particular who want to come.

We discussed this at the steering committee. We have the independent fiscal forecasters that come before us every quarter. We have a budget that we have to submit, and the budget is \$180,000, basically \$90,000 per quarter.

Mr. Charlie Penson: I have a point of order, Mr. Chairman.

The Chair: Yes.

Mr. Charlie Penson: Can we go back to Bill C-259 for a moment?

The Chair: Yes.

Mr. Charlie Penson: Has Mr. Duncan appeared as a witness before the committee?

Mr. Monte Solberg: Yes, he did.

The Chair: There was a problem. We couldn't get consensus on what to do. We're going to have to call back the witnesses. Unless you can tell me we don't need to do that, then we have a deal. Unless we can find another way, I would be very open to that.

We're looking at the budget for the next two quarters. It's \$180,000, but it's basically \$90,000 per quarter, of which there is \$20,000 for a consultant, plus some travel expenses. It should be \$2,500 each, if I recall. I don't see that anywhere.

• (1240)

Mr. Don Bell: Travel expenses are \$20,000, divided by 12.

The Chair: *Cent soixante*, plus 20.... Okay.

I just saw this. I don't think there's anything in here.

Yes.

Mr. Charlie Penson: Of course, once we go through the process here.... I think this is just a continuation of what we've already started, but once we decide it will be up to you to take this forward to the liaison committee for approval. I asked a question of the clerk that he would check and see when that first opportunity would be, and I think we need that clarified.

[*Translation*]

The Chair: What is the date?

The Clerk: It would be the week of May 2, or the week of May 9 at the latest.

[*English*]

The Chair: There may be a committee the first week back, the week of May 2. The latest is going to be the week of May 9.

There will be a special meeting? Okay.

Mr. Charlie Penson: And if I might, Mr. Chairman, because it's important, there was some talk here that the budgets had been used up by the committee, and therefore we couldn't make a request. I just want to reaffirm that, in talking to the clerk of the committee, he said there was budget available for expert witnesses, but the travel budget had been used up, so this falls under the category of expert witnesses, and therefore your intention is to take this forward, once it's passed here, to the liaison committee the first week back.

The Chair: Yes. We just have to make sure the liaison committee meets. If it doesn't meet, I guess we'll have to request that it does meet.

Mr. Charlie Penson: And just to clarify that—

The Chair: There's a subcommittee meeting, even though the main committee does not meet. I think that meets once a month. The subcommittee still meets practically every week.

Mr. Charlie Penson: So I guess we'll deal with the budget first.

The Chair: This is a first step, and then what we'll do is we'll make a request for the subcommittee meeting.

Mr. Charlie Penson: All right.

The Chair: That's the purpose of the subcommittee.

Hon. John McKay: My question is substantive rather than procedural. Has anybody done a review as to whether \$20,000 for an economist is market value, is appropriate? How is this calculated? Is this a number out of the sky? Is it based upon an hourly rate? Where do we get that from?

Mr. Monte Solberg: It's the library that looked at that.

The Chair: Let's go back, because originally this was supposed to be done with the cooperation of the finance officials, and the rates were supposed to be negotiated with the finance officials, the consultants, along with the library. The finance officials dropped off on this exercise. Then it became a matter of urgency, and I think the library has a certain amount of money that it can spend on independent consultants.

The Clerk: Not the money from the library.

I'm just going to explain to you, Mr. McKay. I did my homework. I checked with the senior officials of the Department of Finance, and the \$20,000 is based on the money that was negotiated between the Department of Finance and the private forecasters.

Hon. John McKay: You'd like to do better, I presume.

First of all, I think the forecasters asked for once every six months, or is it once a year, I'm not sure. I don't think they're quarterly reports.

•(1245)

Mr. Monte Solberg: No. Once a year.

The Chair: They're once a year.

Hon. John McKay: So it's \$20,000 once a year. I can imagine putting together one of these reports on an annualized basis is a lot more work than simply doing updates every three months, and that's what we're asking them to do—update every three months.

It's also work that these people do on a regular basis for a variety of clients. A lot of the material, for instance, that Mr. Orr puts out is already in the public domain because he's put it out there, and

similarly with the Conference Board. With respect to the Quebec fellow, Mr. Vaillancourt, I don't know that he in fact publishes this kind of work.

My point here is that the negotiations with the finance department are a useful guide if you're doing one-offs. If you're doing repetitive work, you are effectively potentially creating quite a windfall, and it seems to me that we should look at that.

I go back to my legal experience when people would walk in and ask, "what's the price?" There's a variety of ways in which lawyers calculate the price. Sometimes it's on an hourly basis. Sometimes it's on a contingency basis. And sometimes it's just a flat fee.

The Chair: Let me answer. It's a good point.

This is the budget, but it doesn't mean that every consultant has charged \$20,000. I haven't seen the bills yet, but from what I understand, Mr. Vaillancourt and Mr. Stanford, for example, did not charge the whole \$20,000.

Hon. John McKay: Well, did they charge half of that?

The Clerk: For Mr. Stanford it was around \$20,000 and for Mr. Vaillancourt \$17,000.

Hon. John McKay: So we already have variations within the four. It seems to me that's something we as the finance committee in particular should be very mindful of.

The Chair: Mr. Penson.

Mr. Charlie Penson: I think that's a point well taken, Mr. Chairman, but we have had these discussions in committee before. I think, with respect to value for money, they've already shown us there's a substantial increase in the budget surplus projected for this year.

I think we should approve this. That was the original intent, that we do a quarterly review. The only interruption was because the fiscal year only allowed us to do two quarters. Now we're resuming this, and I'd like to pick it up and approve this today so you can take it to the finance committee. I think we should call the question.

The Chair: Just to be fair, I don't think that was Mr. McKay's point. It was just what are we getting for the money?

I just want to clear something up. Is it my job to negotiate on this, or is it the clerk's job?

Hon. John McKay: It's somebody's job, and I don't know whose. If you set a global budget like \$20,000 per pop, well, that's what they're going to charge us.

Mr. Monte Solberg: Mr. Chairman, I just want to clarify this. My understanding is the library contracts with these people. Just because we have a budget, it doesn't mean we have to spend it all. Let's ask them to get the best possible deal on this we can, particularly since Mr. Vaillancourt and Mr. Stanford aren't able to provide some figures—and they weren't; they weren't able to answer some of the questions. I think it's quite reasonable to say, in that case we would expect that you would charge a lower rate.

The Chair: Mr. Hubbard.

Mr. Charles Hubbard: Mr. Chair, first of all, as a committee we're asking for permission to go and ask for \$160,000, but as a committee member, I have some reservations in terms of the billing and I want to see what we're getting for the bill. I would assume the bill we get would not simply be "\$17,000, pay me", but would rather consist of the detailed expenses of what's involved in preparing the particular documents and in those witnesses coming to committee. In terms of supporting the concept of going to committee but in terms of proceeding with all of this, I would like to see, on the basis of our first two reports, the details of what we're paying for.

A lot of this, like Mr. McKay said, is in the public domain. If we look at nearly every major bank, we see they have put out letters—which a lot of us get each month—saying what their perceptions are about growth, the surplus, and so forth.

On the record, I would just like to say I don't mind supporting what they're asking for, but I would like to see more information before we proceed as a committee with report three and report four.

The Chair: We can probably put something together.

Yes.

Mr. Charlie Penson: I suggest a way forward would be to have this as up to \$20,000 per forecaster and to ask the library to see if they're able to deal with it on the basis of what Mr. Solberg suggested. But the request would be made to the liaison committee

for up to that amount of money, and if we can negotiate a better deal, then we should do it.

The Chair: The library doesn't negotiate; it will probably be somebody from the House of Commons.

•(1250)

Hon. John McKay: I don't disagree with the chart. You set a goal; we'll set a ceiling. But before we sign the next contract, I'd like to see the basis for the charges in the last one and the basis for going forward. I think we should be on the down slope here. We should be getting this cheaper and cheaper over time as—

Mr. Monte Solberg: Once the model is established.

Mr. Charlie Penson: Well, then the clerk should be charged with that responsibility of talking to—

Hon. John McKay: Then he can report back to the steering committee.

The Chair: So can I approve the budget?

Some hon. members: Agreed.

The Chair: Thank you.

I think that's it. Thank you for your cooperation. Have a good week.

The meeting is adjourned.

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