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—
Chair

Mr. Brian Pallister

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• (1535)

[English]

The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)): Welcome back, committee members and guests.

I would appreciate our guests' patience for five minutes.

We'll immediately proceed to the motion of Mr. Loubier. I'll allow Mr. Loubier to speak to it for less than five minutes. We will then go to the Auditor General for her comments and questions, and we will proceed thereafter. We should do so at approximately 5:05.

We will come back to discussion and votes on Madam Wasylycia-Leis' motion and Mr. Loubier's motion at that point in time.

Mr. Loubier, the floor is yours for no more than five minutes.

[Translation]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Thank you, Mr. Chairman. I think that Mr. Dykstra wants to speak to you.

[English]

Mr. Rick Dykstra (St. Catharines, CPC): Mr. Chair, we have copies of the motion.

The Chair: Thank you.

Mr. Loubier.

[Translation]

Mr. Yvan Loubier: Thank you, Mr. Chairman.

Ms. Fraser might be interested in what I am going to say, because she has already studied this file, as did her predecessor.

About a year and a half ago, I tabled a motion before the finance committee requesting that a special committee be struck in order to study the Canada-Barbados Tax Convention. Barbados is a tax haven for Canadian investors, and their investments continue to grow.

Formerly, the Department of Finance even promoted Barbados on its website, as the best place where Canadian investors can avoid paying Canadian taxes. In 1994, Mr. Martin, who was then the Minister of Finance, tabled a bill in order to clean up the tax conventions between Canada and countries deemed to be tax havens. He did not want either the Auditor General at the time nor his successor to say that Canada's tax base was harmed by too much permissiveness regarding the transfer of capital.

Mr. Martin then tabled a bill that dealt with all tax conventions, with the exception of Barbados. Afterward, he adopted some amendments that we will have the opportunity to deal with later if

my colleagues accept to strike such a special committee. Time and time again he proposed fiscal provisions whereby companies like his company, Canada Steamship Lines — an international marine transportation company, which was inactive and based in Barbados following the decision not to amend the tax convention with Barbados — might benefit from a made-to-measure tax system. We estimate, as does ATTAC-Quebec, an international organization for fiscal fairness, that this made-to-order fiscal system allowed Mr. Martin and his family to benefit from tax savings amounting to nearly \$100 million since 1998.

Mr. Chairman, I know that you do not want us to vote on this matter immediately, but I will ask my colleagues to discuss this motion later on. Let me remind you that last year, the Conservatives had supported the idea of such a commission, not in order to attack Mr. Martin's family directly, but mainly to regulate fiscal relations with Barbados and the growth of direct investments in that country. The Conservatives also wanted to look into the fact that a customized tax system had been set up so as to favour a specific kind of economic activity — international marine transportation — for Barbados, and that CSL international's head office had been set up shortly after Mr. Martin brought in the first fiscal amendments.

The analysis will yield further details, but many tax experts from Quebec and from all over Canada raise questions about Mr. Martin's doings, and about this made-to-measure tax system. In my motion, there is a list of people whom we could invite, which includes recognized specialists who would be ready to testify before the special committee.

Mr. Chairman, thank you for your attention. Also, thank you for having allowed me to be the first intervenor, and I apologize to the Auditor General for having taken five minutes of her time.

[English]

The Chair: Merci, Monsieur Loubier.

We'll continue with the discussion after the Auditor General's testimony and subsequent questions.

Pursuant to Standing Order 108(2) and section 89 of the Canada Revenue Agency Act, the study of the first five years of the statutory review of the act will now continue with testimony from the Office of the Auditor General of Canada.

Madam Fraser, thank you for being here and for all your work and the work of your associates.

Would you proceed with your presentation?

• (1540)

Ms. Sheila Fraser (Auditor General of Canada): Thank you, Mr. Chair.

We thank you for this opportunity to speak to the finance committee about our experience with the Canada Revenue Agency, as you carry out the five-year review contemplated in subsection 89 (1) of the Canada Revenue Agency Act.

Today I'm accompanied by Jamie Hood, the principal responsible for performance audits and the annual assessment of the agency's performance information, as well as Marion McMahon, the principal responsible for the annual financial statement audits that we conduct at the agency.

[Translation]

Mr. Chairman, we undertake a considerable amount of work each year in the agency — almost 43,000 staff hours are budgeted for 2006-2007. First, we conduct performance audits such as the status report on the collection of tax debts we tabled in the House on May 6. Second, the agency produces two financial statements that we audit on an annual basis. One financial statement presents how the agency has used its annual appropriations totalling about \$3 billion, while the other presents the results of the activities the agency performs on behalf of other entities — primarily the administration and collection of more than \$300 billion in taxes annually. Third, we assess the fairness and reliability of the information about the agency's performance that is included in its annual report. Fourth, each year we audit a statement showing the income and capital taxes assessed and paid to the provinces pursuant to federal-provincial tax collection agreements. Finally, from time to time the agency is included in other government-wide performance audits conducted by my office.

[English]

From a performance audit perspective, we have focused our efforts over the past five years primarily on examining how the agency manages the risk of non-compliance with tax laws. The agency has limited resources and cannot be everywhere at once. It must make trade-offs in deciding where to deploy resources to deal with competing threats to the tax base. We have found that, with some exceptions, the individual compliance programs are generally well designed but that the agency needs to improve its overall risk management framework and the manner in which it allocates its resources.

We have not yet completed any performance audits that look specifically at the new authorities granted to the agency. In 2004 we began an audit that was designed to assess the new competency-based human resources management regime being put in place. However, we found that progress was not sufficient to warrant an audit at that time. We felt, and other agency internal studies confirmed, that the agency had tried to do too much, too soon, without a full understanding of the cost, scope, and complexity of the task.

We provided the agency with a summary of concerns that we identified and indicated that we would return at a later date. We currently anticipate beginning an audit of human resources manage-

ment in the fall of this year, with another human resources audit tentatively scheduled to begin about a year later.

From a financial audit perspective, we can say that the nature, quantity, and relevance of financial information being provided by the agency have improved since its departmental days. An important contributing factor to these improvements has been the legislative reporting requirements set out in sections 87 and 88 of the agency's enabling legislation. They require audited financial statements to be included in the agency's annual report, which is first submitted to the minister and then tabled in each house of Parliament. Our two annual audits of the agency's activities and its administered activities, as described earlier, have resulted in unqualified auditor's reports since the inception of the agency.

Although preparation and audit of these statements is not without significant challenges, particularly the statements addressing the agency's administered activities, we have observed incremental year-over-year improvement.

[Translation]

Our assessment of the fairness and reliability of the agency's performance information — another new reporting requirement included in the agency's legislation — has contributed to advances by CRA in developing its performance management and reporting framework. Corporate business plans now have clearer expected results, and the agency's performance information has steadily improved over the years in terms of providing more concrete, clear, and measurable results that are better linked to the agency's business strategies. Although much progress has been made, some improvements are still needed, for example, in reporting how the agency's administrative functions are contributing to the achievement of corporate objectives.

Mr. Chairman, there have also been positive developments in the tax collection arrangements with the provinces. These agreements were recently revamped and now include stronger accountability provisions — in particular, a requirement for my office to provide reports to the provinces on the proper design and effective operation of controls that have an impact on determining provincial revenues. The first of these new reports is expected to be issued sometime during 2007.

An important and unique aspect of the Canada Revenue Agency's CRA enabling legislation was the creation of a Board of Management. The Board of Management was given a mandate to oversee the organization and administration of the agency and the management of its resources, services, property, personnel, and contracts. Although we do not interact on a regular basis with the board as a whole, we believe that it has instilled a heightened sense of accountability in the agency. The board has also created several committees to deal with specialized aspects of its responsibilities, including an audit committee.

The audit committee has had a positive impact on financial oversight of the agency's operations. It is comprised of experienced, well-qualified financial professionals. The committee meets regularly, with meetings attended by representatives of both internal audit and my office. We have observed the members playing an important and effective role with both management and our staff.

•(1545)

[English]

What can my office say about the extent to which the agency has lived up to the expectations set out when it was created? Well, I believe we can say two things. First, we can identify areas where specific aspects of the agency's enabling legislation have led to positive changes. The legislative requirements for audited financial statements and for an assessment of the fairness and reliability of the performance information included in the agency's annual report have improved the quality of performance information available for decision-makers and the public at large. Further, the enhanced oversight provided by the board of management has contributed to strengthened business planning, a more rigorous performance measurement framework, and improved accountability to the minister and the provinces.

Second, in terms of the benefits anticipated from the agency's new human resource management and administrative authorities, there are indications that progress has been slower than anticipated. Our attempt to audit the agency's competency based resourcing initiative has been deferred to allow the initiative to reach a more mature state. And performance reporting related to the administrative areas where the agency was granted special flexibilities currently provides limited insight into the impact the agency's corporate services are having on the organization.

Mr. Chair, that concludes our opening statement. We would be pleased to answer any questions that committee members may have.

Thank you.

The Chair: Thank you very much, Madam Fraser.

We'll proceed with seven-minute rounds.

Mr. Savage, to begin.

Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.): Thank you, Chair.

If I have any time that's not used, my colleague Mr. McKay will take that up. It seldom seems to happen that way, but...

Thank you, Madam Fraser, and the witnesses, for appearing today and for the work you've done as we have a look at these first five years.

In your comments you have been pretty specific in areas where you think there has been improvement. You also indicate some areas, such as human resources management, where it's generally been a little slower than you might have expected or wanted.

I wonder if you could just tell us, in general, how it's doing overall. If you were to give it a grade, how would you say it's done so far, as we review this?

Ms. Sheila Fraser: As I mentioned in the opening statement, we haven't specifically done an audit or looked at how all of the new flexibilities have been put in place, and I always hesitate to give grades, but I would say we have been very impressed by the accountability framework that has been put in place. The new board of management that was introduced—and we obviously work a lot with the audit committee—have certainly brought a rigour and

discipline, and I would say even more attention to financial management issues than we would see in a department generally. I think the fact that the agency has to produce financial statements that are then audited is one of the contributing factors to that.

I would just point out that these financial statements are very complex, because since the government has moved to full accrual accounting, the agency has to estimate at the end of the year all the revenues based on assessments. So it's quite a complex exercise to go through to determine the revenues that are in those financial statements. While there have been some difficulties—and we've certainly mentioned them in the public accounts—we have seen a lot of improvement over the five-year period.

•(1550)

Mr. Michael Savage: Thank you for that.

You mentioned somewhere in here having a more positive relationship with the provinces in terms of collection. Can you talk about that a little bit, about how that's working and why it's working, in your view?

Ms. Sheila Fraser: There were new agreements reached with the provinces within the past year. I think in part some of that was provoked by the issues that came in 2002, when there was an overpayment by the federal government and it created a lot of concern about the systems. There are new mechanisms that are built into that, and more accountability to the provinces.

One of the requirements on that will be that we will have to give an opinion on the control systems within the agency. We're actually working with our provincial colleagues now to determine which systems we will be working on and how we will be doing that going forward. So there is a lot more discussion, and there are new agreements and more accountability back to the provinces themselves.

Mr. Michael Savage: So is that something the provinces would agree with? Do they feel it's a better relationship as well?

Ms. Sheila Fraser: I would hesitate to answer on behalf of the provinces. I think you should ask them.

Mr. Michael Savage: I thought that might be the case. Okay.

Let me ask you a question, then, about an area where you see there could be some improvement, or at least you haven't been able to fully audit yet, and that's the competency-based human resource management.

He says here that the agency perhaps tried to do too much too soon. Can you talk about the concerns that you did identify in advance of going back for the audit?

Ms. Sheila Fraser: As we mentioned, we wanted to begin an audit in 2004 to look at the new systems that were being put in place. The agency was really moving toward a very different system from what had existed previously when it was a department. When we got into that, we realized they were not as far advanced as we had initially thought they might be.

So even with things as basic as having a description of competencies that will be required for the different positions, we had sort of expected that people would have been doing this. But we found out in that initial review that in fact, people were describing the competencies for their own jobs only when there was a competition, because it was a very long and elaborate process to do that. So there weren't a lot of descriptions that had been done.

I'm just trying to remember what some of the others were. There were staffing actions, as well. I know through the assessments, the competency profiles, there was a lot of work that had to be done to get the system the way it had initially been foreseen, and that work wasn't very far advanced.

So we raised a number of issues that we saw in this initial survey and brought them to management's attention, but we felt it wouldn't have been warranted at that point to go in and do an audit, because they weren't at a phase yet where it was really implemented. But now we think they've had sufficient time, given that it's been two years since we raised those issues, and we will be beginning an audit on that within the coming months.

Mr. Michael Savage: Is that at a red flag stage for you, or is it at a concerned stage, or is it just at a too-early-to-identify stage?

Ms. Sheila Fraser: There was a bit of all three.

When we do the survey phases, generally through interviews, we don't get into the actual audit per se. There were a number of issues. For example, with the competency profiles and so on, people were telling us they weren't done, but we didn't actually go and audit. We said this is an issue that you should probably do more work on to see if there is substance to this concern.

Even the internal reviews of the agency indicated many of the same issues that we had flagged, so we felt pretty comfortable giving the agency that particular letter.

• (1555)

[Translation]

The Chair: The next questioner will be Mr. St-Cyr. You have seven minutes.

Mr. Thierry St-Cyr (Jeanne-Le Ber, BQ): Thank you, Mr. Chairman.

I would like to get an idea of the agency's performance or efficiency in terms of what it costs the government to collect \$1 of revenue. This information must be available somewhere. How does that amount compare to other countries, and to what extent is such a comparison applicable? Have you looked into this matter? Do you have any data on the issue?

Ms. Sheila Fraser: We do not assess the efficiency of programs, agencies, or administrations. We don't have this information, but perhaps the agency's annual report refers to this. I know that there is a sort of tax administrators' association comprised of members from a number of countries which meets on occasion, every year I think.

Mr. Thierry St-Cyr: You don't track this data over the years?

Ms. Sheila Fraser: No.

Mr. Thierry St-Cyr: By and large, have the efforts made to ensure tax laws are complied with, i.e. to avoid tax fraud and tax evasion meant that more money is recovered than the cost of this

process to recover the money? I hope so. If this is the case, by what proportion? If this proportion is quite high, what could be done to recover even more money? Is there a return on investment?

Ms. Sheila Fraser: Once again, that involves assessing programs and activities, something we do not do. However, I am sure the agency will have statistics on that.

Our work involves determining whether the agency is focusing on the highest-risk sectors, given the resources allocated to it. Does it have a model whereby it assesses risk and channels resources accordingly where the risks are highest? There are different types of tax, and overall, we determine whether the auditing framework, training, etc. are satisfactory. The agency must first enhance risk identification and, then, allocate resources accordingly. We often make such a recommendation in our audits so that sectors are better targeted and resources assigned where they will have the greatest impact.

Mr. Thierry St-Cyr: If resources were reallocated, could there be a better return on investment?

Ms. Sheila Fraser: I think that is probably a viable conclusion to make. We obviously don't have any evidence of this, but there are higher-risk sectors to which fewer resources are allocated than certain other sectors. A reallocation of these resources should lead to better performance.

Mr. Thierry St-Cyr: Do you have any concrete examples of sectors where more resources should be allocated, where the risks are greater, or where the resources allocated are too great for...

Ms. Sheila Fraser: Let me give you an example of an audit we conducted recently on trusts. There are two types of trusts, testamentary trusts and living trusts. The department dedicates a lot of resources to testamentary trusts because it has to issue a sort of certificate to indicate all taxes have been paid.

And yet, the trusts involving the most money are living trusts and not testamentary trusts. There are far fewer audits and measures taken in relation to living trusts. So here, the allocation of resources should be reviewed.

• (1600)

Mr. Thierry St-Cyr: I see.

The union representatives who appeared before the committee last week spoke at length about staffing. In your presentation, you said that this was an area in which improvements could probably be made. And you said "that progress seems to have been slower than expected" in this area. Could you tell us what problems you have observed at the agency in relation to skills-based staffing? How much more progress needs to be made in order to have more satisfactory results?

Ms. Sheila Fraser: We had planned, at the time, to do an audit of human resources management. They wanted to implement a management framework, but weren't very far along with its development. For example, neither the job descriptions nor competency profiles were completed. Nor was validation of the profiles. For staffing, there was a pool of prequalified staff. This system seems a bit mixed up.

In addition, some concerns were shared with us, namely that some staff had apparently been transferred within the agency without competition or posting. The way all of that worked was not clear to us. We raised those concerns with management. We encouraged them to check whether there was a problem and to finish their work, especially with regard to the competency profiles and the management framework. We told them we would be back. And that's what we are going to do this year. Our report, which will focus on one aspect of human resources management, is to be released next year.

[English]

The Chair: Merci, Monsieur St-Cyr.

Mr. Turner, for seven minutes.

Hon. Garth Turner (Halton, CPC): Thank you.

Welcome to our witnesses. It's nice to have you here.

I have a question about the competence of the CRA based on your experience in the audit. We have a lot of changes in regard to the budget that we now have at hand. There's the GST tax reduction, which is a fairly major thing for the CRA to implement, as well as a myriad of tax changes, including a lot of new tax credits, plus changes to the income tax rates and personal exemptions.

Based on what you know of the agency right now, do you feel the CRA is on top of all of this? Is it competent to do it? Does it have the internal controls and mechanisms necessary to implement the number of changes in the compressed time that is available?

Ms. Sheila Fraser: Again, it's not an area where we have done any specific audit work. We hesitate to comment when we haven't actually done an audit.

I guess all I can say is that in discussions they have certainly indicated the need or they're very aware of all the changes. I think they have tried to foresee some to the extent possible to change the systems as they can.

Other than that, all I can say is that they've been able to do it in the past. I think probably a discussion to have with them would be on how they manage so many in such a short period of time.

Hon. Garth Turner: There's nothing that you've discovered, there are no red flags, and nothing is troubling or of concern to you now in advance of that.

Ms. Sheila Fraser: There's nothing that would indicate there would be a significant problem with it, based on past work that we have done and the competency of the people there. They've certainly always been able to respond to these measures. I would expect they would be able to do it again.

Hon. Garth Turner: What do you think the CRA should be doing right now to collect outstanding tax debts? I know this is a concern of yours. How do they do that without terrorizing all of us

who are taxpayers? Is there some mechanism that you would like to see? Are there things you'd like to see them do that they're not doing?

• (1605)

Ms. Sheila Fraser: The major issue we were raising in that audit was that they manage a very large sum of receivables. The amount, in and of itself, is always going to be large, because they're collecting, essentially, \$1 billion a day. So any amount outstanding is going to be in the billions.

What we were saying is that they aren't paying enough attention to which collection methods are the most efficient. They have various methods that they could use. They need to have better information, too, to identify the higher-risk taxpayers earlier, and, if necessary, take action more quickly on those. I think the taxes of the average citizen—in fact, most citizens—are already paid through deductions at source, but they need to be able identify those taxpayers who have....

In the hearing we had before another committee, the agency agreed with that. They say they're starting to develop the data-mining techniques so that they can identify that people around an organization may have gone bankrupt three or four times in the past—which should be a flag to them if ever they start to become late in their payments—so that they have better information to manage the risks around that.

They need better tracking of those accounts, and also, we said they need to better understand the makeup of that \$18 billion. Were there certain sectors where they needed to do more education programs or different kinds of programs to encourage those people to pay their taxes? So it was really around the management of it.

Hon. Garth Turner: On a related point, the underground economy obviously has been with us, some people argue, since the GST was introduced in 1991, and that it has flourished more. Do you think the CRA is doing enough to attack the underground economy and bring it above ground?

Ms. Sheila Fraser: We looked at that audit in 1999. At that point, the agency had put quite an effort into the underground economy, if my memory is right. There had been a number of people brought in specifically to deal with that.

I think our major conclusion was that it wasn't obvious to us. They weren't tracking the results, so it wasn't obvious whether those efforts were actually doing something. We were questioning whether all this effort had actually given something. In order to be able to know if the efforts that you're doing are having an effect, you have to have that kind of management information so that you know, well, maybe this approach is working better than others, so we'll concentrate here. Others may be not as efficient or as effective, and we'll stop doing that and do something else. It was that kind of management information, which they didn't have at that time.

Hon. Garth Turner: Do they now?

Ms. Sheila Fraser: We haven't done a follow-up on that audit.

Hon. Garth Turner: Are you planning that?

Ms. Sheila Fraser: I would suspect that at some point in time we'll go back, but it's not on the books for the immediate future.

Hon. Garth Turner: I have one last question, off topic.

I'm constantly amazed at how you do your job and how it is possible for you to do your job. It seems you're all over everything. Do you have enough resources? It seems to me insurmountable, the task that you face, but you obviously do it. Do you do it with enough resources? Are you satisfied with what your office has to work with to accomplish this?

Ms. Sheila Fraser: We have indicated that at the present time our resource level is appropriate. We may go back, and we've indicated to Parliament—to the public accounts committee and to government—that we will have to reconsider our resourcing level after this year, because we were given new mandates.

There are certain crown corporations, for example, that we are auditors of for the first time this year, and we wanted to go through the first year to see what level of effort was involved in that. We had, quite frankly, sufficient carry-forward from previous years to be able to absorb it this year, but we will be reassessing that.

Just to make the other point, our universe is unlimited. The number of audits we could do is unlimited, in a way, except that we have to judge what we think is an appropriate level for Parliament to be able to deal with, and for government departments to be able to deal with as well. So we do about 30 performance audits a year, in addition to the 100-and-some financial audits that we do, and we have quite a process to decide which ones we're going to look at.

The Chair: Out of curiosity, further to Mr. Turner's question, when was the last time the Auditor General's office was audited?

• (1610)

Ms. Sheila Fraser: We have a financial audit every year that is in our performance report.

We consider ourselves a bit of a professional organization. We had a peer review done of our financial audit practice, and I believe the report came out in 1999-2000. Excuse me, the first one on the financial audit was done by a private sector firm.

We also wanted to do one on our performance audit practice, and the challenge there was who would adequately do a peer review, because the private sector doesn't really do this kind of work.

We were the first country to ask an international team to do a peer review of our performance audit practice. It was an audit led by the National Audit Office of Great Britain, with the participation of the audit offices of Norway, the Netherlands, and France. That came out in the spring of 2004.

We will be planning to do another peer review, which I hope will cover the whole office before the end of my term.

The Chair: Thank you.

Madam Wasylycia-Leis, you have seven minutes.

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

Thank you, Madam Fraser, and your staff for being here today.

This issue of tax debt gets a lot of Canadians riled up. We all got mail, I'm sure, after your report came out, and it was duly reported by the media.

A typical response that we get is like the one I got from a Mr. Kapz on Pickley Crescent in Winnipeg. He says:

When Auditor General Sheila Fraser presented her most recent report, the item that irritated me the most was the fact that the federal government is owed some \$18 billion in back taxes. I have to pay my income tax quarterly, and if my annual tax return is inaccurate, Canada Customs and Revenue is immediately after me to make up any shortfall. Yet there are apparently thousands of citizens, businesses, and corporations who owe far more than I do....

This person goes on to say that we've got the law, there just doesn't seem to be the will to collect.

I'm wondering, since you were at this in 1994—it's 14 years later, and we've gone from \$5 billion or \$6 billion in taxes owed to \$18 billion—is it a question of the law not being strong enough? Do we need to make amendments to the CRAA? Or is it a question of the will to collect taxes? And is that because there are consequences for decision-makers if we go too hard after certain bodies for tax evasion?

Ms. Sheila Fraser: I don't think we noted anything that would require legislative change. The issue isn't the legislation or the laws. I think it is really a question of the management and the sophistication of the management of this. It's a very large sum of money.

I think we all have to recognize that there will always be taxes owing; there will always be people who will not pay their taxes on time; and the amount is always going to be large, because of the volume of money they deal with. They deal with over \$300 billion a year, so the amount of receivables or taxes owing will always be very large.

But we think they could do better by having better information both on the taxpayers who owe the money and on the composition of the amount, and by having better information on which types of collection are the most efficient in what case. Basically there needs to be more attention paid to collections.

Ms. Judy Wasylycia-Leis: I appreciate that, because I don't think we want to go down the path of trying to make amendments if they're not necessary or helpful.

One of the perceptions among folks is that it's actually the wealthier who are able to avoid paying taxes. I know you've got a chart that indicates a breakdown of the debt, and it's not just corporations. A significant portion of tax evasion comes from the personal income tax side.

Do you have a breakdown by income tax bracket for that category?

Ms. Sheila Fraser: We don't have that information. I don't know if the agency would.

Ms. Judy Wasylycia-Leis: It's not only a perception of people. We hear more and more stories about the shift taking place in terms of tax evasion, and I know this isn't tax evasion. This is a case of taxes owing. You hear about the shift in the neighbourhood of about \$11 billion to \$88 billion going offshore in terms of revenue or income, and no taxes being paid according to Canadian laws. You hear about studies out all the time suggesting that there's a much higher percentage in high-income groups than in low-income groups of those who don't pay their taxes. When we raised this issue with the department last year, there was a report out by Brigitte Alepin showing that.

I guess I'm just trying to figure out who the culprit is here and why we aren't going after them. Is it just technology? Is it just the fact that our systems aren't keeping pace? Or is there something else? And how do hard-working Canadians who are struggling day to day feel good about the fact that they're obeying the law when they hear about others who aren't? I don't know if there's an answer to that question, but it is a concern.

I will go back to the final area of attention of our committee, and that is the department, the way it's organized, the way the staff is being allocated to this, and the way it trains staff. I'm wondering if all of these changes associated with going from a department to an agency and now a stand-alone and this constant movement and reorganization with respect to this organization within government don't take away from the need to actually get down to work and collect taxes owing. If that's part of the problem, when will that ever settle down?

Secondly, with respect to staffing, we asked the department last year—because they got a lot more money in the budget—if it was a question of staff or, as the union said, of proper training of individuals and their capacity to deal with the problems. At that time Michel Dorais said,

...we have a lot of money and we're putting a lot of effort into that; \$30 million is not insignificant. It means we will assign 250 people to these files over the next while, and that is a huge amount of manpower.

He said they've got amazingly qualified people and so on, but they have to learn more, and they're going to Dublin to learn more, etc.

Is it a question of being preoccupied with reorganization? Is it a question of training staff? Is it a question of actually making this a priority within the department?

• (1615)

Ms. Sheila Fraser: As I said before, we are planning to do this audit of the human resource system, and some of the questions raised certainly relate to that.

I could perhaps suggest to the committee that if, during the course of the hearings or otherwise, you have concerns about human resource management practices and you would like to suggest that we look at them as part of the audit, we would certainly be glad to consider that, because we haven't really looked at issues like training or movement of people within the organization yet, but those are potential areas, obviously, for audit going forward.

Ms. Judy Wasylycia-Leis: But to go from \$5 billion ten years ago in terms of taxes not paid to \$18 billion today, that surely can't all be accounted for in terms of just changes in technology and new systems and information flow. Surely it reflects something more, a deeper issue, a systemic issue.

Ms. Sheila Fraser: In the tax debt audit we did note that the amount of money owing to the government had increased faster than total taxes. So it isn't simply a growth factor. We would have expected the agency to be able to explain why that was, and they weren't able, so again it comes back to their ability to have good information and analysis of what is happening with this tax debt. That's why we say they need to have more sophistication in how they're dealing with this very large sum of money, and we would have expected them to be able to answer that question.

The Chair: Thank you, Ms. Wasylycia-Leis.

Mr. McKay, you have five minutes.

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

Can you tell me how we're collecting \$300 billion? Is that value for money?

Ms. Sheila Fraser: I guess it all depends, doesn't it?

Hon. John McKay: Yes, but you're the only person in Canada of whom we can actually ask that question.

Ms. Sheila Fraser: I'm not sure that I can give that evaluation. I don't know what percentage of tax is collected automatically by deductions at source, but for a huge portion of taxes, the agency itself doesn't have to make any real collection effort. Obviously they have to manage the money coming in, so they might have comparators with other national tax administrations to see how they do that, but we can't give that kind of information.

Hon. John McKay: So you haven't conducted any studies with respect to other jurisdictions to see whether—

Ms. Sheila Fraser: No. That would really be getting into an evaluation, which is work that we don't do. We only look to see if the agency itself has done that kind of evaluation work if we feel, in our audits, that it's warranted.

• (1620)

Hon. John McKay: Of that \$300 billion, about a third of the money is collected for provinces. In the agreements, do the provinces contribute anything to the cost of running the agency?

Ms. Sheila Fraser: What happens is that the Canada Revenue Agency collects the money and remits 100% to the province—fairly quickly, actually, through advances—and then there is a settlement once we have completed our audit of the statement. The agency will collect any interest and penalties owing on that, but it also assumes any writeoffs that have to occur.

Hon. John McKay: So if you're collecting \$1,000 on behalf of a province, you immediately write a cheque to the province, but if there is interest or a penalty attached, that's collected afterwards.

Ms. Sheila Fraser: Yes.

Hon. John McKay: And the agency keeps that money.

Ms. Sheila Fraser: That's right. But if there is a loss—for example, if the \$1,000 isn't paid by that individual because the individual goes bankrupt or whatever—the agency assumes that loss.

Hon. John McKay: It's almost a perverse incentive on the part of the agency to be slow in collecting, isn't it, because they would, in effect, benefit from slow collections.

Ms. Sheila Fraser: As Jamie was saying, the longer they wait, the harder it is to collect, so the risk of losing it goes up. And I'm sure that the Department of Finance wants to have something to say about the cash in and cash out.

Hon. John McKay: I'm sure they do. But there is a kind of perverse quality to the system, at one level.

Of the \$18 billion in accumulated arrears, how much is added on an annual basis?

Ms. Sheila Fraser: I'm not sure. We can check.

A witness: It's \$11 billion, I think; it was \$11 billion last year.

Ms. Sheila Fraser: It's \$11 billion.

Hon. John McKay: So \$11 billion is added on an annual basis.

Ms. Sheila Fraser: That means that they collect about an equivalent amount.

Hon. John McKay: I'm not understanding, then, how this \$18-billion figure is floating around. If you're adding \$11 billion net—

Ms. Sheila Fraser: No, it is gross.

Hon. John McKay: It is gross. So what's your net, then? I'm assuming that the \$18-billion figure is a net figure, at this point. It's an accumulated deficit. Isn't it?

Ms. Sheila Fraser: That's right. It's accumulated over a number of years.

Hon. John McKay: So what does the net add on an annual basis?

Ms. Sheila Fraser: I'll ask Mr. Hood to answer that.

Mr. Jamie Hood (Principal, Office of the Auditor General of Canada): In 2004-2005, in fact, the agency received \$11 billion in new debt, but it also resolved.... It collected \$9 billion in cash and it wrote off \$2 billion. So in 2004-2005, there was actually a net increase of zero. But in the previous years it was always an increase of \$1 billion or \$2 billion each year. So they were not resolving as much as they were receiving in the year.

Hon. John McKay: So what is the net unresolved money? Is it 0.5%, 1%, or less than 1% of the gross revenues?

Ms. Sheila Fraser: By the net unresolved money, do you mean the \$18 billion?

Hon. John McKay: No. Of the \$300 billion, you're roughly not collecting or you're writing off about \$2 billion on an annual basis. Is that fair?

Mr. Jamie Hood: In 2004-2005 it was a writeoff of \$2 billion, which was actually about double the average for all prior years.

Hon. John McKay: So it is two-thirds of 1%.

Thank you.

[*Translation*]

The Chair: Thank you.

Mr. St-Cyr, you have five minutes.

Mr. Thierry St-Cyr: Although there was some discussion of this before the meeting started, I'd like to come back to the dwindling tax base and the tax treaties that Canada has entered into with certain countries, primarily with Barbados.

I know that this issue was first raised by the Auditor General in 1992. His report sounded the first alarm. A second followed in 1995. In 1998, the problem was pointed out for the third time. In 2001, for the fourth time, the issue was raised again. Finally, in 2002, for the fifth time, the Office of the Auditor General expressed concerns — and that's an understatement — about this issue.

Do you think that today, in 2006, the matter is settled and there is no longer any reason for concern?

• (1625)

Ms. Sheila Fraser: As far as I know, nothing has changed. So I assume the situation is the same as in 2002.

Mr. Thierry St-Cyr: What were your main recommendations on that? It could certainly be helpful to the committee to know what could be improved in order to recover more revenue from tax havens like Barbados.

Ms. Sheila Fraser: What we're concerned about is the integrity of the tax base. We recommended that the Department of Finance obtain and analyze information that would enable it to properly assess the impact of tax treaties. We also raised the issue of interest deducted from funds borrowed for investment abroad.

Mr. Thierry St-Cyr: The current legislation provides that if you invest abroad, you can deduct the interest cost associated with those tax free investments?

Ms. Sheila Fraser: Exactly. We indicated that tax arrangements for foreign affiliates had reduced the tax base by hundreds of millions of dollars over the previous 10 years and that the Department of Finance should review the rules governing income and dividends from those affiliates.

Be that as it may, the department gave us a lengthy answer that was three or four pages long, saying that was its policy. As far as I know, the situation hasn't changed.

Mr. Thierry St-Cyr: The issue is still a problem? If nothing is done to change things, we can expect more warnings.

Ms. Sheila Fraser: We will eventually follow up on that, but I don't think it's scheduled for next year. I'm told it will be in 2007.

Mr. Thierry St-Cyr: If Parliament has any changes to make, it should do so before 2007 so that we can see the results next time around. You won't be making any statements on that, will you?

Ms. Sheila Fraser: No.

Mr. Thierry St-Cyr: You have identified a number of administrative shortcomings. Do you have any amendments to the Canada Revenue Agency Act to propose? Ultimately, that's what this committee will have to decide on.

Ms. Sheila Fraser: No. It's really not our role to suggest amendments to the act. We can raise issues that in our view, require further study or analysis, but it would be inappropriate for us to take a position on the act, because that's often a political issue.

The Chair: Mr. St-Cyr, you don't have much time left. Please make it a short question.

Mr. Thierry St-Cyr: Apart from the administration, what aspects of the act should the committee focus on?

Ms. Sheila Fraser: We didn't raise many issues with the act. We looked at the treaties and foreign affiliates, but the bulk of our work focuses on the administration and management of programs.

Mr. Thierry St-Cyr: Thank you.

[English]

The Chair: The next questioner will be Mr. Del Mastro, for five minutes.

Mr. Dean Del Mastro (Peterborough, CPC): Thank you, Mr. Chair.

I want to go back to reiterate a point that's been made a couple of times. I find it actually quite remarkable that the agency is running at a cost of about \$3 billion and collecting about \$300 billion. That's a 1% administrative cost. I know, from my experience in business, I would have been very content to get anywhere close to a 1% administrative cost. I think it's quite a remarkable achievement.

Ms. Sheila Fraser: You have to realize that the vast majority of income tax is deducted at source. Those are payments that come in with essentially no collection effort. We can try to find the numbers on how much is not actually deducted at source, but it's a relatively low amount. Also, generally in Canada I think the compliance rates tend to be pretty good compared with those in other countries. A large part of it is personal income tax, and most of that comes in automatically.

• (1630)

Mr. Dean Del Mastro: The one other area that we've talked about quite a bit is the bad debts, essentially. How much of an allowance are they setting up for bad debts? How much are they writing off every year that wouldn't go to the accumulation of outstanding debt?

Ms. Sheila Fraser: I'll let Mr. Hood answer that.

Mr. Jamie Hood: In 2004-05, the allowance for doubtful accounts was \$4.7 billion, of the \$18 billion.

Mr. Dean Del Mastro: So about 1.5%, roughly.

Ms. Sheila Fraser: We should just clarify that the \$18 billion are taxes that are not in dispute. There was another \$6 billion of taxes that were in dispute.

Mr. Dean Del Mastro: Okay.

My experience in receivables is the older they get, the harder they are to collect; the more current you are with things...

I was talking to the officials when they were here about the GST, and I said that the system is still quite cumbersome, actually. There's no electronic system for submission of GST, and it's actually quite slow in industry, if you're owed GST, to get that refund back.

I also found out, as you've indicated, that they may have a bit of a challenge directing their resources. When the CFIB was here the other day, they indicated that companies are getting audited much more frequently, and the audits that were taking about five days are now taking up to nine days. So it would seem that if we redirected our resources there a little bit, we might be able to be a little more current checking up on accounts, and we might be able to make some technology investments. All these things could lead to a much more responsive system, and we may not need a 1.5% allowance.

Ms. Sheila Fraser: We were, obviously, in all our audits saying that with the resources that are being given to them, they have to make sure that those resources are targeted at the areas of highest risk, and that they should be able, as well, to know the kind of risk associated with the various accounts. So it does go back to information systems.

At a recent hearing they were saying they wanted to get into data mining and have better information on taxpayers so they would be able to target them much quicker.

Mr. Dean Del Mastro: Okay.

We heard from union representatives last week, and they're concerned that there may be, as far as promotions and so forth are concerned, a little bit of nepotism or maybe even a little bit of cronyism. They're not satisfied with the guidelines by which people are receiving promotions and so forth within the agency. Have you heard these types of concerns?

Ms. Sheila Fraser: As I said, we haven't done an audit yet of human resource management, and I'm not sure that we particularly heard that. We did hear, in one of the concerns that was raised, about the internal transfers of people, so it could be viewed as being non-competitive resourcing. We just wanted them to better explain to us so we could better understand what that system was. So that could be one of the areas we would go back to. Certainly if the committee expressed a concern in that area, we would seriously consider including it in the audit.

Mr. Dean Del Mastro: For a department of this magnitude, the Canada Revenue Agency, which is only five or six years into its mandate, it would seem that we could be looking at this a little too early. By and large, it seems, as compared to the Department of National Revenue, they're doing quite a good job.

Ms. Sheila Fraser: We're certainly, I would say, very favourable to the governance structure that's been put in place. The board of management, the requirements to have audited financial statements, the performance report that they have to produce with an assessment, have certainly brought a lot more rigour and a lot more attention to financial management issues, and management issues perhaps generally, than one would find in a department. So that whole kind of oversight of the board of management and the audit committee have really played a very important role with the agency.

Mr. Dean Del Mastro: Is there a difference for you—

The Chair: Sorry, Mr. Del Mastro, your time is up.

We'll go to Mr. Pacetti.

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

Welcome, Ms. Fraser. We didn't have a chance to get you before the committee last year; we were very busy. So thanks for coming.

Can we go back a step? We are here for the five-year review. What happened, exactly? I wasn't here. Revenue Canada went from being a department to being an agency. What is the difference? We're here looking at the five-year review of the CRAA, but it sounds as though we're making all kinds of excuses: there's a transitory period in terms of how they collect and how their staffing is done; we've had the unions here, and they seem to have an issue with how some of their hiring and firing and promotions and demotions are done, and with how they're closing certain areas of service they're offering.

We seem to be offering lots of excuses, so I'm not sure where we're going with this. Our question here is, do we review the mandate, or do we accept...? It seems as if it's a *fait accompli*, where we're just going to say we'll do the five-year review and are going to renew it.

I think it's a broader question, a much more complex question than what we're addressing here. Can you help me with this?

• (1635)

Ms. Sheila Fraser: What I can say is that generally in government there are three agencies that have been created with a different structure, if you will, from government departments.

I would say the revenue agency is probably the most different of all. Rather than having a department with a deputy minister who reports through a minister, you have a very different accountability regime. You have a board of management with people from outside government who have an oversight responsibility for the administration part—not the tax policy area, but the administration—and with a commissioner who has much more specific kinds of responsibility, or more clearly-defined responsibilities, than does a deputy minister and who has also been given more flexibility in the human resource regime than you have in a government department.

On the one hand there are more flexibilities; on the other hand, there are more accountabilities. They have to produce a performance report on which there is an assessment; they have to produce audited financial statements. There are a number of conditions that were put on them when they were created as an agency.

What is, I think, the most striking difference in the governance is the role of the board of management and the impact of its oversight on the administration. Obviously, such things as the Income Tax Act and the Excise Tax haven't changed; it's how the administration of these is carried out. I would say the board of management has put more attention to the administration of the business than was there previously.

Mr. Massimo Pacetti: Was it badly run before?

Ms. Sheila Fraser: I don't know that we can say it was badly run. I just think that in today's world and in the complexity of the operations of the CRA, the board of management—and in particular, I would say, the audit committee—puts more discipline into it.

Just the fact that they have to produce an audited financial statement every year.... There is no other large department that has to do that. Now they're working towards it and would like to have it in place by 2009. It wasn't easy to get to the point we're at today, and I think the management has been improved because of the conditions that have been put on the agency.

Mr. Massimo Pacetti: But the agency still has a minister—

Ms. Sheila Fraser: Yes.

Mr. Massimo Pacetti: —so they still have to answer through a minister. But I'm not sure what the role of the minister is. We're hoping to have her come before the committee.

Is this a problem with the other departments? Should we now be asking that the other departments be turned into agencies? Is there that much of a discrepancy or difference in the way an agency and a department are run? I don't want to open up a big....

Ms. Sheila Fraser: There are a number of initiatives under way in departments. The Comptroller General, for example, wants to have departments produce audited financial statements by 2009, or at least to start to get there. He is also introducing audit committees that have external representatives. So it's starting, certainly.

To have more external independent oversight in departments would be a good thing. I would hope this audit committee process that's under way will do that.

• (1640)

The Chair: Thank you, Mr. Pacetti. Your time is up.

It's now Mr. Dykstra's opportunity to ask some questions. Mr. Dykstra, five minutes.

Mr. Rick Dykstra: Thank you, Mr. Chair.

I just have a couple of questions.

In 2002, in one of the audits you'd actually completed around the tax administration writeoff and forgiveness, you documented that the agency has reasonable controls in place to guard against inappropriate writeoff of taxes owed, but it needs to strengthen the system by taking accrued interest into consideration and grouping related party accounts together when considering approval to write off an account.

I just wondered how that played into the discussion we're having today about the amount of money owing and the amount that's been written off. It seemed in 2002 that you were warning that this was an issue and was something the agency needed to pay attention to. Having said that, in 2006 we saw the numbers grow rather than recede. I wonder if you could comment on that.

Ms. Sheila Fraser: In the audit on writeoffs, we were talking about accounts deemed uncollectable that are completely written off. Some efforts could be made in future if the account were to be reactivated, but the agency won't continue trying to do a lot of collection.

In the last year, as Mr. Hood mentioned, there was a little over \$2 billion of writeoffs, which was about double what it had been in previous years. The agency made a concerted effort to try to clean up their accounts, and encouraged the people looking after the accounts to write off those that were deemed uncollectable.

Our previous audit indicated that there was a sufficiently rigorous process in place, so accounts wouldn't be written off unnecessarily, and that is of course one of the dangers in the tax administration system. Should there be weaknesses in that system, somebody could just write off accounts inappropriately, but our audit was generally positive on the framework there. What we were saying again, and it comes back to a recurring issue, is that they needed better information. They needed to understand related accounts and how much is involved in that. You would hope that kind of information would help them going forward, so if these accounts or the people related to them reappeared, they could track them a little more closely.

Mr. Rick Dykstra: It gets to the point I was going to try to make, or get some clarification from you on, and that is this whole issue of high risk and the identification of high risk.

Throughout, in terms of reviewing the work you've done examining the agency over the past number of years, it continues to relate to the issue of higher risk and the inability to really identify exactly what that is. I wondered how any improvements could be made, because you identified this on a number of occasions, yet we're still talking about it.

Ms. Sheila Fraser: The agency recognizes and agrees with us, as I mentioned in this hearing we had just a couple of weeks ago. They were talking about new systems they wanted to put in to do data mining, which is obviously one of the ways to get there.

We don't expect it to be resolved overnight. It will take time, because systems will have to be changed, and the techniques used for analysis are going to have to change. There is a recognition, and we are hopeful they are starting to move on this.

Mr. Rick Dykstra: I asked CRA to state their priorities for the coming year, and they named three: core capacity, maximizing the particular model of governance, and maximizing their delivery of business. The CFIB added one more, and that was expanding service priority, so they're actually delivering the service. I know whenever people pay taxes no one's happy, but at least it would be a bit better.

One of the things you ended your report with this year, and why this means a lot to me from a go-forward perspective, is this quote:

However, there is still no detailed plan outlining the steps the Agency will take to address the specific challenges outlined in the vision or the measures that will be used to gauge progress toward its goals.

It's fine to talk about what those priorities might be, but how are they going to be able to measure and account for the goals they set themselves?

• (1645)

Ms. Sheila Fraser: I believe the vision we're referring to is on the collections only, and they did indicate to a public accounts committee that they will come forward to that committee with an action plan in September. So this committee could also ask them for that detail if you were interested.

The Chair: Thank you, Madam.

We'll continue with Mr. Pacetti.

[Translation]

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

We are here for the five-year review of the act. Should the committee recommend that the agency's mandate be expanded? Is there any reason why we shouldn't extend its mandate? Are there any advantages to converting a department into an agency, or is that a step backward?

Ms. Sheila Fraser: We have found that the agency's governance regime has advantages. The regime has brought greater rigour and more attention is paid to administrative aspects, which are obviously what concerns us the most. We haven't done a detailed audit of human resources, but it appears to us that the agency could set up whatever regime suits it, which is understandable given its size and also...

Mr. Massimo Pacetti: I know you haven't done a detailed audit of human resources, but you have heard some comments and you have audited other departments to some extent.

When the department was turned into an agency, some people wanted to return to the public service and others wanted to remain at the agency. Some people came to see us to ensure that their rights as employees would be respected. Do you think that the agency is having problems along those lines?

Ms. Sheila Fraser: That's not something we've studied or audited.

[English]

Mr. Massimo Pacetti: Okay.

A question for Mr. Hood—or maybe, Ms. Fraser, you can answer. Basically, when we're looking at collections—I understand the rotation and all that—what is the age factor of the \$18 billion? Is it 30 days, 60 days, 90 days?

Ms. Sheila Fraser: I'll ask Mr. Hood to respond. There is a fair percentage that is over two years; 50% is over two years old.

Mr. Massimo Pacetti: But does that make sense? From my experience, I would think that would make sense, because you would only start collecting after a debt is more than a year or two years old. I don't think you would start collecting.... It would take forever to put it in collection, first of all, and it would have to be over a certain amount.

Ms. Sheila Fraser: The taxpayer has 90 days in which to object. Once that 90 days is up, the account is considered in collection.

Mr. Massimo Pacetti: In collection, but they don't assign anybody to collect that amount until a certain amount of time—

Ms. Sheila Fraser: Those accounts go into various streams, depending on.... For some of them it's an automated system in which people will get a notice, phone calls, letters, all of that.

Mr. Massimo Pacetti: Yes, I know. But when you get the phone call, then you start getting the harassment. The letter is usually after 90 days, but I think it takes over a year, if not two years, before somebody actually picks up a phone and calls you for money.

Mr. Jamie Hood: It really depends on the size of the account and the risk as the agency measures it.

Mr. Massimo Pacetti: So what should we be looking at as an average collection? For certain industries it's 30 days, 60 days. What should Revenue Canada be looking at for a goal? Should it be a year, two years? I would think a year would be reasonable. Wouldn't that be the question, not what the amount is?

Ms. Sheila Fraser: I think it's up to Revenue Canada to determine their own service standards. Again, we didn't look at that, but we're saying the longer you wait, the more difficult it is to collect. To have 50% over two years, they are obviously confident that they will get most of that, because the allowance for doubtful accounts was what....

Mr. Massimo Pacetti: One final question.

Before you decide what part of the agency you're going to audit, how is that done? Do you choose two aspects of the agency every year? How is that determined?

• (1650)

Ms. Sheila Fraser: We do a plan for three to five years. We do this for all the major departments and go through and look at what are the major risks, or the achievement of the department's or agency's objectives. Then we try to focus on the areas where we think the risk is highest.

We have been largely focused in the last two years, as I mentioned, on the risk to the integrity of the system and how they manage that compliance activity. We are currently doing about two to three audits a year consistently in the agency.

Mr. Massimo Pacetti: So who will audit their five-year plan, to make sure they achieve it?

Ms. Sheila Fraser: I presume that would be up to parliamentarians to hold them to account for what they've said in their plan.

The Chair: I'll ask Mr. Del Mastro to continue.

Mr. Dean Del Mastro: How long do I have, Mr. Chair?

The Chair: You have five minutes.

Mr. Dean Del Mastro: Thank you.

Just to continue with what I was asking previously, are there any additional considerations for your department to deal with the Canada Revenue Agency compared to when it was the department of revenue? Is it different? Is it more difficult? Is it less difficult?

Ms. Sheila Fraser: We obviously do a lot more work on the financial audit side, given that there are two financial statements that we have to express opinions on each year. There is also the assessment of the agency's performance report; that's a new requirement, which we did not do previously.

For the rest of it, I would say that we always audited the collection of revenues for the purposes of the public accounts of Canada. But the accounting method has changed as well. Rather than being strictly cash, it's now on an accrual basis, so that has brought its own challenges and complexities. But the others—the ongoing performance audits—are very similar to what would have been done in the past.

Mr. Dean Del Mastro: Okay, that's great.

On overall revenues, there was an indication that overall revenues have grown by about 48% from 1997—I'm not seeing it in here—

and that debts have actually climbed by about 88%. Does that show that maybe they might be undermanned, or there may be challenges that we haven't found?

Ms. Sheila Fraser: The main concern we had was that the agency wasn't able to explain why the debts were increasing faster than the tax revenues. If they don't understand that, I would think it would be hard, then, for them to target certain areas. We were really saying that they needed to have a better understanding of that and that they needed to have the information base and analysis to be able to understand that.

Mr. Dean Del Mastro: So it's not necessarily human-resource-based, then; it could be something else.

Ms. Sheila Fraser: I wouldn't jump to that conclusion. I think the analysis has to happen first.

Mr. Dean Del Mastro: This next thing may be beyond the scope of your opinion or auditing. Some provinces have a harmonized sales tax. For business, small business in particular, this is simpler, because it's only one process you actually have to go through. I'm just curious: how is that working in those provinces? Is it something that you feel other provinces could or should look toward doing? This would be just an opinion; I'm not asking you to come out and dictate what they should be doing.

Ms. Sheila Fraser: That's really policy—big time.

Mr. Dean Del Mastro: How is it working in the provinces where it exists?

Ms. Sheila Fraser: What happens—Mr. Hood and Marian can correct me—is that there are agreements, for example, in the province of Quebec, that the Government of Quebec will collect GST on behalf of the federal government. In the other provinces, the federal government collects for the provinces. We have tried to have some efficiency within the system for the collection of those amounts.

Mr. Dean Del Mastro: I appreciate that: avoid the thorn bushes, so to speak.

I would just come back to small business. I know our economy is really built on small businesses. In some areas, small businesses were happy with the CRA; in other areas, they were not. They're not happy with the frequency of audits. In particular, these audits aren't turning up a great deal of uncollected GST and so forth. And the length of the audits would seem to me are almost getting into a bit of harassment. I mean, a nine-day audit for GST, on average, seems to be an awfully long time.

Maybe you could comment on that.

• (1655)

Ms. Sheila Fraser: I'm not really sure that we can comment on that. We did an audit on the audits of small and medium businesses. I'm not sure...that wasn't an issue that came up.

Mr. Dean Del Mastro: Okay.

Ms. Sheila Fraser: I think we did talk about the training of people, and the audit coverage, that they actually weren't, I think, doing all the audit coverage they had planned in many of the areas.

[Translation]

The Chair: The last speaker will be Mr. Crête.

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup): Thank you, Mr. Chairman.

Good afternoon. The committee is reviewing the first five years of the application of the Canada Revenue Agency Act, from 1999 to 2004.

I'd like to focus on a specific point: tax transactions in terms of offshore transactions. Have you done an assessment of that? You said that there was some research underway, that the agency wanted to estimate losses of federal tax revenue potentially resulting from tax evasion practices involving offshore transactions. Has the agency come up with an amount? Are you aware of that?

Ms. Sheila Fraser: We don't have any specific amount, to my knowledge. In the 2002 report, I believe we mentioned that it amounted to hundreds of millions of dollars, but no specific figure was given. I don't know whether the agency has a more exact number for you.

Mr. Paul Crête: Do you think that the act is effective enough in that regard, or should we make an amendment to enable the agency to identify and thwart tax evasion practices involving offshore financial transactions? Would there be any point in making such an amendment to the act?

Ms. Sheila Fraser: As I said earlier, we are reluctant to suggest amendments to legislation. However, in 2002, we did indicate that the Department of Finance should analyze the impact of certain transactions, identified in our report, and see whether the act should be changed.

I believe we will be reporting on an audit of issues relating to treaties and so on, next year. We'll see whether there have been any changes or new developments.

Mr. Paul Crête: You said that in the 2002 report, it mentions that this probably amounts to hundreds of millions of dollars.

Ms. Sheila Fraser: That was over 10 years or so.

Mr. Paul Crête: For 10 years in total, or from year to year?

Ms. Sheila Fraser: No, in total.

Mr. Paul Crête: All right.

In answer to a question from my colleague, you said that there was an audit underway on this issue. You will be making a report, possibly next year. Could we have the data, in order of magnitude, on what you have identified? Is there a problem? Do you think the department should pay particular attention to this issue?

Ms. Sheila Fraser: It's still far too early for that. We are in the beginning stages of the audit. The department may have some data for you, but we do not currently have any.

Mr. Paul Crête: Is it a growing industry?

Ms. Sheila Fraser: Unfortunately, we can't answer that question.

Mr. Paul Crête: Okay, you have no information on that.

Ms. Sheila Fraser: We will give you the answer next year.

Mr. Paul Crête: Yes. It's an issue of concern to us. However, in your 2002 report, you mentioned \$200 million. What does that

represent for Canada in one year, in terms of tax evasion? Should that \$200 million normally have been recovered?

Ms. Sheila Fraser: We talked about hundreds of millions of dollars over a 10-year period, without giving any other details.

Mr. Paul Crête: Hundreds of millions of dollars. All right.

Ms. Sheila Fraser: We said that it was tax revenue that was beyond the grasp of Canadian authorities.

● (1700)

Mr. Paul Crête: Apparently that tax evasion was allowed under the current act.

Ms. Sheila Fraser: Exactly.

Mr. Paul Crête: It's not necessarily illegal.

Ms. Sheila Fraser: No. They were legal acts, consistent with the act. We recommended that the Department of Finance review the impact of certain provisions of the act that allowed this type of transaction and tax avoidance.

Mr. Paul Crête: All right.

According to my information, the Department of Finance has not done those analyses. Do you have any other information?

Ms. Sheila Fraser: To my knowledge, the department has not yet done those analyses. That is something that we will look at in our audit.

Mr. Paul Crête: That should be released next spring?

Ms. Sheila Fraser: In February 2007.

Mr. Paul Crête: Based on your experience, if it gets your recommendations in February, will the government have time to incorporate them into its next budget?

Ms. Sheila Fraser: The government should have the audit findings before the holidays.

Mr. Paul Crête: If the government wants to take them into account in preparing its response, it could announce in the next budget that it will be taking steps, if there are recommendations.

Ms. Sheila Fraser: Assuming the next budget is tabled in the spring of 2007.

Mr. Paul Crête: Yes. We are totally in the dark here. Thank you.

[English]

The Chair: Madam Fraser, would you like to make some concluding comments?

Ms. Sheila Fraser: I'd just like to thank you, Mr. Chair, and the committee for inviting us to appear today.

As we mentioned, we haven't done a lot of work on the specific authorities that were granted to the agency, but certainly what we've seen on the board of management and the audit committee, and on some of the other accountability provisions, has been positive. In the course of your hearings, if there are issues that come up that you would like us to consider in our forthcoming audits on human resource management, we would certainly be glad to consider them.

The Chair: Thank you.

On behalf of the committee, I know we all appreciate your cooperation and your testimony today, and the ongoing work that you do. Thank you for your openness and your frank responses today. We appreciated having you here.

Ms. Sheila Fraser: Thank you.

The Chair: We will now move to committee business. We have three items, and we will start with Madam Wasylycia-Leis and her motion.

Would you like to make some comments on it?

Ms. Judy Wasylycia-Leis: Thank you, Mr. Chairperson.

This motion is in response, first of all, to the rapid growth of payday lenders in all of our communities, and the commensurate lack of regulations to help control this area in terms of consumer protections. A number of attempts have been ongoing at the federal-provincial level to try to find a way to solve this and to provide some sort of regulatory framework. They haven't produced much fruit to date, so a number of provinces have started to review this area on their own, and one of them is Manitoba. It has proposed legislation to control issues around rollover loans, with a definition of payday loans, cooling-off periods, and so on, and to do it through an established agency—in this case, the Manitoba Public Utilities Board.

But in order for a province like Manitoba to proceed, it needs a change to the Criminal Code that sets aside section 347 of the code. Provinces like Manitoba, with legislation ready to roll and a plan for regulating the industry, and who have actually requested an exemption from the Criminal Code on payday loans, do require commensurate action at the federal level.

So all I'm asking is that we send a motion to the House asking the Minister of Justice to amend the Criminal Code at an early date to make this possible for provinces like Manitoba and indeed for others that are starting to follow, like British Columbia.

The Chair: Just for clarification, Madam Wasylycia-Leis, you have a motion calling on us to recommend to the Minister of Justice, but you said in your comments that you wished us to make a recommendation to the House. Which of those two—

Ms. Judy Wasylycia-Leis: Sorry, I'm assuming that a motion from this committee is reported to the House.

The motion itself is to ask the Minister of Justice to amend the Criminal Code to provide for the exemption of payday loans from section 347 of the Criminal Code in circumstances where provincial regulation of the payday lending industry has been established, and a request for such an exemption made.

The Chair: Is there discussion?

Mr. McKay.

Hon. John McKay: Why is it necessary to repeal a section of the Criminal Code in order for a province to regulate in the field? Is this a constitutional issue?

• (1705)

Ms. Judy Wasylycia-Leis: The Criminal Code sets a criminal rate of interest for payday lenders. Any of the regulatory frameworks

being proposed by provinces like Manitoba will in fact require a way to compute the rate of interest, along with all the other administrative fees, which could end up being more than the criminal rate of interest in the code. In fact that's one of the problems that we face right now: the criminal rate of interest in the code can mean nothing when these payday lenders can in fact find ways to add all kinds of administrative and other charges to the actual loan, making the interest rate somewhere in the neighbourhood of over 1,000%. So in order to have a reasonable scheme, we need that exemption from the Criminal Code to address that concern.

The Chair: Ms. Ablonczy.

Ms. Diane Ablonczy (Calgary—Nose Hill, CPC): Mr. Chairman, with respect to this motion, my question would be this. How can the provinces regulate payday loans if there is in fact no enabling legislation to make it a criminal offence, allowing penalties to be applied, etc.?

Ms. Judy Wasylycia-Leis: The provinces have responsibility for this area right now, from the point of view of consumer protection.

In this case, Manitoba would like to more proactively pursue it. In order to do that, however, as it sets up a framework, it has to make adjustments to the actual fees being charged. The sum total of that may exceed the criminal rate of interest. Therefore, in order to proceed to regulate and apply the framework, which has already been established and is spelled out in a bill awaiting passage at the legislative level in Manitoba, it needs change at the federal level in terms of the criminal rate of interest.

The Chair: Mr. McKay, and then Mr. Crête.

Hon. John McKay: The Criminal Code applies to a universal set of behaviour, and it's not payday loans. It's effectively usurious loans of any kind, regardless of whether they're payday loans or any other kind of loan.

I don't quite understand why you would carve out a specific section of the Criminal Code. You would be in effect eliminating a section of the Criminal Code that would apply only to payday loans but not to other forms of usurious loans. Is that correct?

Ms. Judy Wasylycia-Leis: That's correct.

Hon. John McKay: Okay. I think the figure is generally about 57%. A usurious loan could be 57% and criminally sanctioned, but we could say that a payday loan is 100% and not criminally sanctioned. I don't quite understand where the equity would be in that kind of a scheme.

The second question has to do with the fact that you're effectively asking for one province to be exempted from the application of the Criminal Code. The Criminal Code is a universal statute. How can you do that?

The Chair: Madam, for the committee's purpose and for your purpose, I'll propose a friendly amendment to give clarification on this.

In the motion, you say: "That the Standing Committee on Finance, pursuant to Standing Order 108(2)...." I would insert "report to the House recommending".

Is that fine for the amendment? Is it acceptable to you?

Ms. Judy Wasylycia-Leis: Yes. It's a very good friendly amendment.

•(1710)

The Chair: Okay. Please proceed to answer Mr. McKay's question; or, if you wish, you can defer, and I'll let Mr. Crête pose some kind of question.

Ms. Judy Wasylycia-Leis: Well, let me make one clarification.

This motion doesn't refer to any particular province. This allows for the Criminal Code exemption to take place whenever a province requests such an exemption and when it has a regulatory framework in place to regulate payday loans. It is therefore for any province that meets those requirements and is ready to move on this issue.

The Chair: Monsieur Crête.

[Translation]

Mr. Paul Crête: Mr. Chairman, in Quebec, this comes under the Office de la protection du consommateur, and the maximum rate is, I believe, in the order of 35 per cent rather than 60 per cent. As a result, in reality, there are no payday loans, because no one in that industry wants to get into this type of business. At 35 per cent, it just doesn't pay. There has to be a payoff, you have to be able to charge interest rates of up to 50, 55 and 60 per cent. I certainly wouldn't want to prevent the rest of Canada from doing whatever it wants to do about this, but I'd like to make sure that the text as drafted clearly indicates... It says: [...] to amend the *Criminal Code* to provide for the exemption of payday loans from section 347 of the *Criminal Code* in circumstances where provincial regulation of the payday lending industry has been established, and a request for such an exemption made.

In Quebec, we could make a request for exemption based on the fact that the Office de la protection du consommateur has called for the maximum rate to be 35 per cent instead of 60 per cent. However, if I'm not mistaken, there is no provincial regulation on the payday lending industry. In Quebec, the motion as it stands could have the opposite effect of what was intended. Although the maximum interest rate is 35 per cent and there are no payday loans, we could be forced to apply the code because we have no regulation given that the bar has already been set through the interest rate. I would like this matter clarified.

The purpose of the motion is to allow a province that has regulated the payday lending industry to have an exemption. Quebec has not established such regulation because the maximum interest rate is set by the Office de la protection du consommateur. I would like this matter clarified so that we don't end up in a situation other than what was intended.

[English]

The Chair: Ms. Wasylycia-Leis is going to respond.

Ms. Judy Wasylycia-Leis: Do you know what? I'm not sure I can answer that question pertaining to the impact on Quebec. I would be happy, Mr. Chairperson, to hold off on any further discussion on this until I've pursued any impact that this motion may have on the province of Quebec. I'll try to bring it back for Wednesday, if that's suitable.

Clearly, there is a unique situation vis-à-vis the Consumer Protection Act in Quebec, which does have a lower rate of interest

than the federal one and which has led to a certain scheme at that level.

If you're willing, we could put this on hold until I get more information.

The Chair: The mover has asked permission from committee members to table it, and I see no opposition to that.

Ms. Diane Ablonczy: Just on another point—

The Chair: I'm hesitant to have further discussion on something once the mover has asked for it to be tabled.

If there's no disagreement to the tabling of it, we'll move to the next item on the agenda.

Some hon. members: Agreed.

The Chair: Very well. We'll recommence discussion on Wednesday; we have time available at that point.

The second issue.... Yes, Mr. Pacetti.

Mr. Massimo Pacetti: We're tabling it for how long? That's my question.

The Chair: That's up to the mover to reintroduce it.

The second issue is Mr. Loubier's motion. He spoke to it earlier, and I would invite discussion on that.

Mr. McKay will commence, and then Mr. Pacetti.

Hon. John McKay: This motion looks a lot like previous motions and incarnations of this motion.

I see it as political theatre, grandstanding, and pretty well anything but a useful exercise of the committee's time.

I notice, first of all, in the motion that he wants it to be televised. I can't imagine why. I guess I'm just an innocent in this game. He then wants the former Minister of Finance, presumably Paul Martin, to be his first witness. Again, I can't imagine why. Then he wants the members of the board of directors of Canada Steamship Lines to be here, and again, I can't imagine why. The members of the board of directors of CSL International.... Do you think there's something going on here? Do you think there's a pattern? And how about André Lareau, a tax lawyer, who's already written in this area, a forensic accountant, and a tax expert, all of whom have previous publications in the area? Apparently not interested in OECD, or their efforts with respect to the whole issue of tax treaties.... He's certainly not inviting any of the CARICOM nations. He's not interested in the Barbados high commissioner, on either side—

•(1715)

The Chair: I hesitate to interrupt. However, his motion does read “and any other individuals or groups who request to appear”. If you would like to go to the meat of your objections, please do so now.

Hon. John McKay: You would have thought he would have been interested in a far broader discussion of how this may impact upon Canadian businesses doing business abroad. If in fact the ultimate result is to simply chase Canadian companies out of Barbados, well, I suppose that's an accomplishment of some sort, but I don't know it's in the best interests of other Canadians or Canadian companies.

In my view, this is a motion that is simply there for the pure politics of it. It is without base and without merit.

The Chair: Mr. Pacetti.

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

To add a little bit of history, we looked at this motion. Originally, the motion, during the last parliamentary session, read simply to have the Department of Finance officials in so that we can review the treaty. Everybody was satisfied. Nobody determined that we should look at prolonging the treaty that we have with Barbados, then all of a sudden the motion came through where he was going on a fishing expedition. So I'm not sure where this is going.

We have to keep in mind that this is not an exhaustive list. If we're to go back and review the Barbados tax treaty...it's up for renewal anyway, so even if we did do it, I don't think it's anything that's pressing. But I don't think these witnesses would be enough to get both sides of the story, so we'd be looking at this whole story for not much reason.

[Translation]

Mr. Thierry St-Cyr: Mr. Chairman, I think we have to get to the bottom of this. The Office of the Auditor General has already issued five warnings about this, but we have always refused to really get to the bottom of things and clarify this issue. It would be irresponsible for committee members not to delve further into this matter.

In terms of the relevance of this, I would simply say that it's a matter of public confidence. I don't know whether my colleagues from the Liberal Party campaigned door to door like I did, but I was able to observe that people have a persistent perception — perhaps wrongly, but we will find that out if we do the study — that some people who should pay tax aren't paying and that some legislation gives certain individuals and elected officials an unfair advantage. This needs to be brought into the light of day. If we refuse to do so, we run the risk of seeing public confidence continue to dwindle. However, if we feel that the list is incomplete, at this point, I quite agree.

That is why the motion provides for the addition of people whom we consider it appropriate to consult. This motion was presented in the last Parliament. The Liberals were opposed to it, and I'm not surprised today that they've changed their minds. I hope the Conservatives are still in favour of getting to the bottom of things as far as this matter is concerned and that they are going to support us again.

[English]

The Chair: Madam Ablonczy, then Mr. Turner.

Ms. Diane Ablonczy: Mr. Chairman, I too wish the motion had been worded in a less partisan manner. I think if the committee is to study an issue, it should be truly in the interests of Canada and Canadians. That having been said, I think we're well on record as having some concerns about the treaty and I certainly wouldn't object to its examination. However, I would point out to the mover of the motion that the way it is worded does to some degree taint the credibility of the motion, I think, and I find that unfortunate.

• (1720)

The Chair: Mr. Turner.

Hon. Garth Turner: I concur. I think it's a highly partisan motion. I think it would raise some serious questions about the impartiality of the committee to really launch into this kind of an expedition.

I do, however, believe there's an issue of interest here, and that's the growing issue of offshore tax shelters by Canadian citizens. That is of concern, and CRA definitely has been taking steps toward that. We have an increasing number of financial advisers across Canada right now who counsel people on how to evade—not avoid, evade—Canadian taxes by moving money offshore. We could certainly include this in the scope of that, but I think that in order for the committee to do useful work and use its time productively, we would have to look at something more generic.

I would support that, but not this motion.

The Chair: Are there any other speakers to the motion?

Madam Wasylycia-Leis, and then Mr. Crête.

Ms. Judy Wasylycia-Leis: Well, first of all, I too would appreciate having the opportunity to discuss the question of this particular tax treaty at our finance committee, because it's never been explained adequately to me why we moved to shut down a number of offshore tax centres and eliminated a number of tax treaties and not this particular one. So I think we should have some time on our agenda to do this.

If the concern is in fact with the middle part of the motion, I would suggest an amendment to delete everything after the first paragraph right through to “And that the committee report and make recommendations...”.

The Chair: Okay. Madam Wasylycia-Leis wishes to propose an amendment—

Ms. Judy Wasylycia-Leis: Or even the paragraph before that; it doesn't really matter—so the committee could call witnesses. I'm wondering if that would be considered a friendly amendment on the part of the Bloc, and if so, since that seems to be the major obstacle....

The Chair: You're suggesting retaining the first paragraph and the last, and deleting what's in the middle. Is that correct?

Ms. Judy Wasylycia-Leis: Yes, although we could keep the second-to-last, which would simply say that the committee reserves the right to call witnesses.

The Chair: Well, the committee has that right, of course.

Ms. Judy Wasylycia-Leis: Okay, then we don't need it. You're right. So the first and the last paragraphs.

The Chair: So the first and the last. All right.

Not seeing any desire for discussion, I'll ask if I can call the vote on the amendment.

Sorry, Mr. Dykstra.

Mr. Rick Dykstra: Mr. Chair, I'd just like a bit of clarification on the amendment.

The Chair: A bit of clarification?

Mr. Rick Dykstra: Well, I understand that we're leaving in the first two bullets, but we're removing the—

The Chair: No, the first and last paragraphs.

An hon. member: Could you read it, Mr. Chair?

The Chair: The motion is that the Standing Committee on Finance schedule televised sessions in the fall...and that the committee report and make recommendations to the House of Commons.

Now, for discussion on the amendment, Mr. McKay.

Hon. John McKay: I would actually in general support that amendment, but I think the issue's not just the Canada-Barbados treaty, it is all of our international tax treaties. If you would entertain an amendment to that effect, then I think this would be an acceptable motion.

The Chair: We're discussing an amendment proposed by Madam Wasylycia-Leis at this moment. If there's further discussion on that, we'll continue.

Hon. John McKay: I'd like to move an amendment to the amendment.

The Chair: Are you moving an amendment on the amendment?

Hon. John McKay: Yes.

• (1725)

The Chair: Or are you asking for Madam Wasylycia-Leis' approval to make a friendly amendment?

Hon. John McKay: You're not limiting it just to Canada-Barbados.

The Chair: Not seeing a nod from Madam Wasylycia-Leis, then, you'll want to make an amendment to the amendment. I'm going to ask the help of the clerk at this point.

So what's the specific subamendment you're making, Mr. McKay?

Hon. John McKay: Well, the specific subamendment would be to delete "Canada-Barbados treaty" and just simply put "all tax treaties to which Canada is a signatory".

The Chair: To study all tax treaties to which Canada is a signatory.

Is there discussion on the subamendment?

Mr. Crête.

[*Translation*]

Mr. Paul Crête: Mr. Chairman, I'd like to raise a point of order.

A subamendment has to amend an amendment. But here, a second amendment to the main motion is being proposed. Let's deal with the amendment first, because a subamendment could seek to restore the name of the former...

[*English*]

The Chair: I accept your advice and I rule the subamendment out of order. We'll go back to the discussion on the amendment.

Not seeing a desire to continue that discussion at this moment... apart from Mr. St-Cyr, who wishes to make a brief comment, which is where we got started on this line in the first place.

Mr. St-Cyr.

[*Translation*]

Mr. Thierry St-Cyr: Mr. Chairman, we had suggested these people's names because we thought it would be good for them to be there. If the motion is passed as amended, we will ask again for them to be there and the other parties will be free to add other names.

I'm astonished to see that the Conservative members think this motion is partisan, given that they voted in favour of it last time around. I don't think they were neutral last time around.

Mr. Paul Crête: Let's vote now.

[*English*]

The Chair: Mr. St-Cyr, thank you very much for that intervention.

Now we're moving to the vote on the amendment to the motion.

[*Translation*]

Mr. Paul Crête: Mr. Chairman, I'd like to raise a point of order.

[*English*]

The Chair: Monsieur Crête, you have a question.

[*Translation*]

Mr. Paul Crête: I'd like to have a recorded division, please.

[*English*]

The Chair: Certainly.

Is it a point of order, Mr. Pacetti?

Mr. Massimo Pacetti: I don't know; it might be a point of order.

We never addressed this motion the last time, so I can't see how it was proven that the Conservatives voted for it. So let's not put words in people's mouths.

The Chair: Okay. Thank you, Mr. Pacetti, for that additional intervention.

We're moving to a recorded vote on the amendment.

(Amendment agreed to: yeas 5 ; nays 3) [See *Minutes of Proceedings*]

The Chair: We'll now vote on the motion as amended. Seeing no discussion, I call for the recorded vote.

Hon. John McKay: I can move my amendment again, can't I, at this point?

The Chair: Only if I back up, and I'm calling for the vote.

(Motion as amended agreed to: yeas 7; nays 4) [See *Minutes of Proceedings*]

The Chair: Thank you, colleagues. That motion is passed.

Now we have a motion to establish a subcommittee for new technologies. You have copies of this, I believe. This is our third item of business. Is there any discussion on this motion?

Mr. St-Cyr, a question before we proceed?

[*Translation*]

Mr. Thierry St-Cyr: Could you tell me when this motion was distributed to committee members?

I know we discussed this last time, but, to my knowledge, this is the first time I've seen this wording. If I've neglected to check all of my e-mails, I'll say no more, but if it's the first time, I'd like to have time to consult.

[English]

The Chair: Mr. St-Cyr, first of all, this is not a substantive motion, which requires notice. Second, this stems from a discussion of your steering committee. For that reason, I'll move now to the vote on the motion, unless I see further desire for discussion. No? We'll move to the vote then.

(Motion agreed to) [See *Minutes of Proceedings*]

The Chair: Point of order, Mr. Pacetti.

Mr. Massimo Pacetti: Yes. We had on the original orders of the day that the Minister of Finance was to appear. I want to know what happened. I also made a formal request, and I'm not sure if it is formal, that the Minister of National Revenue appear as well, preferably Wednesday at the latest, if need be tomorrow, for us to continue the CRA review.

The Chair: I'm informed by my friends here that the minister had an unforeseeable event occur, which prohibited him from appearing.

Now, are we trying to get him for Wednesday again? We have CRA, so we can. All right, we'll inquire as to availability Wednesday. The revenue minister was not available either day because of her schedule. However, it should be noted that the review of Canada Revenue Agency continues in the fall. There's no time concern in that respect.

• (1730)

Mr. Massimo Pacetti: We should try to put some of these issues to bed.

The Chair: Mr. Pacetti, we do have officials from Canada Revenue Agency appearing on Wednesday.

Mr. Massimo Pacetti: If I could make another request, when the ministers do appear we need at least an hour and a half. An hour is not enough—minimum an hour and a half, and preferably two hours.

The Chair: You'd prefer that.

Mr. Massimo Pacetti: Yes.

The Chair: We'll do what we can in that respect. Thank you, Mr. Pacetti.

The meeting is adjourned.

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