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Chair

Mr. Brian Pallister

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•(1535)

[English]

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

Pursuant to Standing Order 108(2) and section 89 of the Canada Revenue Agency Act, statutory review of the act will continue.

Our witnesses from 3:30 until 4:30 are from the Canadian Federation of Independent Business. I understand Mr. Garth Whyte, executive vice-president, will begin with a brief presentation, and then we'll have the remainder of our time for some healthy exchange.

Proceed, Mr. Whyte, and welcome.

Mr. Garth Whyte (Executive Vice-President, Canadian Federation of Independent Business): Thank you, Mr. Chair.

To my right is my colleague Corinne Pohlmann. She's the director of national affairs. To my left is Lucie Charron, who is our economist. They've both done a lot of work with the revenue agency, which we'll talk about.

We've been waiting 18 months to give this presentation. We were only told on Thursday, so we don't have the details we would like to have in terms of current examples, but we do have this report, which I hope has been distributed. It's the Canada Revenue Agency review, five years after a small-business audit of the CRA.

As background first, the revenue agency hits every one of our 105,000 members. It hits virtually every business, so it's a very important agency for us. What we've done with this report we did in 2001 and again in September 2004, and we audited the revenue agency at their request.

They asked us to do this second report, and as you can see in figure 1 on page 2, we ask if there has been a change in level of service during the past five years of the establishment of the agency. As you can see, there has been some improvement, with 11% saying it's better, 62% saying it's the same, 13% saying it's worse, and 14% saying they don't know. That's better than the 2001 survey. In the highlights in the grey area on the front page, during the past five years the CRA has improved in four areas: accessibility of staff, knowledge of staff, promptness of replies, and speed in processing refunds. The performance during the past five years has declined in four other areas: availability of information, simplicity of information, willingness to provide interpretation, and levels of penalties. With this report, we not only asked our members; we did a survey of tax service providers. They're the ones who work with CRA on a regular basis.

If you turn to page 4, you can see the service quality indicators we've picked, and there were 17 of them. At the time it was CCRA, so three of them were with customs, so we can ignore that. The others were about staff—accessibility, knowledge of staff, promptness of reply, treatment by staff, information and forms, availability of information, readability, simplicity, and access to information on the website. The third category is interpretation of rulings, and the fourth is refund and penalties. On page 5 we talk about staff, and as you can see, there are business owners' responses and tax practitioners' responses, but the same categories are identified—accessibility of staff was identified as the biggest concern, with 39% saying it's poor, 12% saying good. Promptness of replies: a third of our members said this was poor and 13% said it was good, but if you look at tax practitioners, one out of two tax practitioners said promptness of replies was poor. Forty-three percent of tax practitioners said accessibility of staff was poor. And this is one we think the agency should work on: if you look at readability and simplicity of information, 42% said it was poor, 6% said it was good, and then the tax practitioners—the experts—almost 40% said it was poor, and 8% said it was good. Availability of information: one out of four tax practitioners said it was poor.

If you go to the next page, we talk about rulings, and this is another area where people identified. Again, 60% of tax practitioners said speed of rulings and interpretations was poor; 3% said it was good. Willingness to provide interpretations: 45% said poor. If you look at the penalties and refunds, the refund process has improved, but levels of penalties both tax practitioners and business owners say is poor, 70% saying levels of penalties have increased.

Page 7 highlights this grey area, changes between 2001 and 2004. We rank these categories and show where they've worsened and where they've improved. Again, availability of information has worsened, both from the business owners' perspective and the tax practitioners' perspective. Readability and simplicity of information has worsened, both from the business owners' and tax practitioners' perspective.

I'm galloping through this, but I also want to talk about the auditor performance on page 8. It has improved, and I want to highlight that. People say they're more knowledgeable, their professionalism is good, and their courtesy has improved. But the time spent complying with audits has increased from 6.6 days to almost 9 days.

Finally, the big one I want to talk about is compliance costs. The overwhelming amount of paperwork involved in complying with a tax system is the number one factor contributing to compliance burden, as identified both by tax practitioners and business owners. The average cost for tax compliance for a small firm is \$3,000 per employee.

Mr. Chair, the final gem I want to throw in here is figure 14. If you can see figure 14, you say that 71% of tax practitioners said that compliance costs on small firms have increased during the past five years. One of the mandates of CRA is to improve service and compliance costs.

The final issue is proxy measurement. We've presented this to the agency and the commissioner. Proxy measurement looks at the tax collection cost, the cost per dollar in tax collected, and you can see that the costs are actually a little higher than they were before the agency. It's about two cents per dollar collected. In Australia, it's one cent for every dollar in taxes collected.

As far as recommendations—and I know that the commissioner presented yesterday, and he listed his three priorities, but one of them wasn't service—we think that CRA should make service a big priority. We think that CRA should make reduction of compliance costs a top priority. They should measure the compliance and paperwork burdens and set real targets, and report to this committee annually on their progress. We think they should set customer service standards, and the code of conduct should be improved, as they did in B.C.

We were going to hand it out, but we didn't have the copy translated, although it will be translated for you. But there are things here, which I think could be enhanced, that the department can do. It's really an update of the fairness in clients rights code. We think there should be a more proactive approach to communicating tax changes.

We'd like to talk about it at questions, but we did work very well with the agency on the GST and what's required to reduce the rate in July. We had to do it with the agency, and we got it out to our membership. We think there's something that can be done there.

Our goal is to comply with the tax code. We think it plays a major role in our economic development and small-business growth. We think it has improved, but there's more that can be done.

Thank you, Mr. Chair.

● (1540)

The Chair: Thank you. You covered a lot of ground in a very efficient manner, and the committee appreciates that.

We'll lead off with Mr. St-Cyr.

Hon. Garth Turner (Halton, CPC): Point of order. Yes, thank you.

I was wondering, Mr. Chairman, if my francophone colleagues agree to the distribution of the literature that was brought by the CFIB, by the witness, even though it has not been translated. It's their choice.

The Chair: I'll ask, Mr. St-Cyr, if you'd like to respond to that request.

[*Translation*]

Mr. Thierry St-Cyr (Jeanne-Le Ber, BQ): Mr. Chairman, a motion was tabled, at the beginning of the session, stating that all documents to be distributed to this committee must be in both official languages. To my knowledge, this motion was adopted unanimously.

[*English*]

The Chair: Okay, I don't sense there is approval for that. The document will be distributed as soon as the translation is available.

Mr. Savage, you have seven minutes. Please begin.

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

If I have any time left over, I think Mr. Pacetti will fill in. I'm usually on the short end of the time-sharing, but I'm going first today.

Welcome to our witnesses, and thank you for coming.

I'd like to ask a little about how ready your clients are for the GST and HST rate reduction. Have you surveyed your customers about how ready they are? What kinds of responses have you had?

Mr. Garth Whyte: Yes, we have. We've done a lot leading up, and we could walk through it. Prior to the announcement we surveyed our members and asked them what it would take to do the changes. It wasn't just updating the cash register; it was updating their websites—there was a list of things we can distribute—accounts payables, tax-inclusive pricing, etc., as well as what you do with catalogues, tax credits, and so on. So there are a lot of things that need to be done.

We did a survey to find out what they did prior to the announcement of the budget and if they would need more time. On Wednesday afternoon we did a quick survey of a major sample of our members, and we had 5,000 responses in 12 hours. We had 8,000 in five days. We put it out four days before the budget, and we gave this report, saying here are the concerns we have and this is why we need more time.

Then there was more time given. We sat back and said we had better inform our members of what they need to do. Lucie did a lot of this work.

You should talk about what you did there. You talked to the Department of Finance.

Ms. Lucie Charron (Policy Analyst, Canadian Federation of Independent Business): Basically, we consulted with some accountants as well as members about what would need to be done to implement the GST rate reduction. On this GST checklist, you see things that should be done, but we've also highlighted the GST and HST implementation rules that we found in the budget document. We put them on our checklist. After that was done, we consulted with the finance department as well as with the CRA about whether that would be appropriate. We gave them a deadline of about two days to get back to us, and both departments got back to us quite quickly, saying that they approved it. In a sense, they put it through different departments to have it looked at, and that's what came of it.

Also, we distributed it to all our membership to make sure they are aware of the GST rate reduction and also so that they know what they should be considering when it comes time for implementation.

• (1545)

Mr. Garth Whyte: Thanks, Lucie.

That's not fully answering your question.

We've put it out. It's on the website. There's a hotline to call. It was a good example of what needs to be done to put out information quickly. It wasn't on the website. It was very hard to find on the CRA website right away. We simplified it.

Next we're going to survey our membership and find out how it went. But right now, we're not hearing too much. I think people are getting ready to do it. It's a tough time to do it—on July 1—but I think they're ready.

I also want to highlight how great the department was, but more importantly, it's a case study in which the finance department has done the policy and has then told CRA to implement it. Often we want both parties at the table, because when you have a policy, it's terrible if it's implemented poorly. We may support reducing the rate by 1%, but if you don't know how to do it or you don't have the time to do it, it could be a disaster. So this is a great example of all three parties working.

Finally, we asked our members where they go for information and advice important to their business. "Government" was just above "other" for where they would go for information and advice. They go to their suppliers, their advisers, and their trade associations. As a matter of fact, the smaller accountants are using this and distributing it to their clients.

Anyway, it was a case study. We're going to follow up on it in terms of how prepared they are.

We also put it out in the media. We had about 150 media hits. It went to all the rural newspapers to inform them of what was involved.

We think they're prepared. We're not hearing any bad news about it.

Mr. Michael Savage: What is your total membership?

Mr. Garth Whyte: We have 105,000 business owners.

Mr. Michael Savage: So you heard from 8,000 out of 105,000 in response...?

Mr. Garth Whyte: We did a quick e-mail. We cut it off. We're still getting them in.

We also do 4,500 small business visits every week. And every week, in those 4,500 visits, we're handing this out to opinion leaders in their communities, saying "Get this out. Tell people. This is what you need to do."

Mr. Michael Savage: But is it your sense that most of your members are okay with this, that they're ready for this? Did you say you're going to do a survey now?

Mr. Garth Whyte: Now you're going to make me lie or bluff. I don't know what to say.

Mr. Michael Savage: That never happens around here.

Mr. Garth Whyte: We think they're as ready as possible.

We're finding that there could be a great announcement.... It is like when we simplified the input tax credit for small firms. It was real money in their pockets, but it took up to two years for some firms to get it. They'll be slow.

Right now, we think they're as ready as they're going to be. We've done everything possible to have them informed.

On this side, at least on the retail side—and we have 30,000 retailers—the customers are going to make sure they know about it.

It's there. We've led them to the water. Whether they drink or not is up to them.

Mr. Michael Savage: In terms of being ready, have you lobbied CRA on behalf of CFIB members for any specific concessions or contributions towards making these conversions in order to be ready for the reduction? What role have you played in terms of helping to implement this for the members you have?

Mr. Garth Whyte: First, we pushed the government for a transitional time, which we got. Second, we did ask for some adjustment costs, because the average cost is going to about \$570 per firm. So those two the finance department would have to deal with. We got one out of two.

The third one, on input tax credits, the department could do something about. There's going to be a blending of input tax credits, some at 7%, some at 6%. Hopefully, there'll be some forgiveness over time, or there may be some compliance issues they could work with, which we have mentioned to the department.

Mr. Michael Savage: Thank you.

I'd like to give my last five seconds to—

The Chair: No, sorry, Mr. Savage, but thank you very much for your questions.

[Translation]

The next committee member to have the floor will be Mr. Bouchard.

You have seven minutes, please, Mr. Bouchard.

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

Thank you for your presentation.

I am referring to page 7 of your document. You said that the agency had failed in four categories and that it had made progress in four others. However, in the column “Business Owners”, I see that one thing has improved and six things have gotten worse. And then, in the “Tax Practitioners” column, I see that four things have improved and five things have gotten worse.

Of course, at first sight, I would say that things are getting worse in the agency. If we look at all the results on page 7, can you tell us if the result is neutral, positive or negative?

• (1550)

[English]

Mr. Garth Whyte: First off, six of the worst categories are under customs now—and we have another presentation to make, because there is now a customs agency that we have to work with. So you can see that under category 5, there are six.... It used to be the Canada Customs and Revenue Agency, but now it's the Canada Revenue Agency. So when we did it, we thought customs would still be there, and they weren't, so there are six that are gone.

Second, even if they've improved, they're still not very good. For example, let's say accessibility of staff has improved; if you go to page 5, the accessibility of staff to tax practitioners has improved, but 43% still say it's poor, whereas only 12% say it's good.

So the answer is that the overall level of service—on page 3, figure 2—has improved. The survey also asked about the revenue agency's level of service during the past two to five years, and you can see that 2004 survey shows that the service level has improved over 2001. So there is some improvement happening, generally. Even in figure 1, if you look again at the change in level of service, there is slight improvement from 2001. It doesn't mean, though, there aren't some major things that need to be fixed by category, such as readability and accessibility of information, the promise of replies, and penalties.... So it's a mixed grade. I would give it a C minus, if I were to give it a ranking. But I would think that in certain categories there are F's, and in other categories there are some B's.

An hon. member: You're a tough marker.

Mr. Garth Whyte: I am a tough marker: you should see their budget report card.

Some hon. members: Oh, oh!

Mr. Garth Whyte: Hopefully you'll give him some more minutes, as I steal some of his time, Mr. Chair, but I would also like to say that there was a time—when the GST was introduced—when the revenue agency wouldn't talk to us and we wouldn't talk to them. The relationship has improved immensely, where we now have a really good relationship, especially at the senior management levels. A lot of the challenges that we're pointing out here are also the challenges of the agency, which they know they have to deal with; I just want to make that pretty clear. But the CFIB's relationship with the revenue agency has improved immensely over the years.

The Chair: Monsieur Bouchard, do you wish to continue?

[Translation]

Mr. Robert Bouchard: Yes, I have another question.

Figure 14 shows how compliance costs evolved for SMEs over the past five years. If I understand this correctly, things have gotten worse for SMEs. Thus, dealings with the Revenue Agency have gotten more expensive for SMEs.

Could you put a figure on the impact of this on the productivity of SMEs? Has this been measured? Is it negligible or is it a large figure?

[English]

Mr. Garth Whyte: Yes, it has been measured.

Thank you for that question. It's very good—and we didn't even talk beforehand.

In this report, we identified overall average costs for firms with let's say 12 to 15 employees. Those costs are about \$18,000. Costs in a very small firm are up to \$3,300 per employee. And this report was done in 2004.

We did a groundbreaking study, “Rated 'R': Prosperity Restricted by Red Tape”, which talked about the overall paper burden of all levels of government—federal, provincial, and municipal. We think this is a major issue that should be attacked by this minority government. When we did the study, our researchers had a 15-page formula, which we got them to distill down to a page, and we worked with Stats Canada and people in the Privy Council Office, who looked at our methodology and said it was fine. In just looking at business, we found that the overall paperwork and regulatory compliance burden was \$33 billion a year.

What we handed out to you was one page from that report, which talked about the most burdensome federal regulations. If you look at the top four, they're all related to the CRA. There are two in particular: the GST-HST is the number one compliance burden issue, with 71% saying it's important and burdensome; and 60% say that payroll taxes, such as the CPP, QPP, and EI, are important; and 57% say income taxes are. When you layer on top of that the change in rules—the complexity of the rules, and not knowing what the rules are, and not getting interpretations—they really do hurt in terms of compliance costs. When the compliance costs and decisions are more difficult, they create uncertainty. When they create uncertainty, they hurt productivity and growth.

• (1555)

The Chair: Mr. Whyte, we'll ask Mr. Turner to continue with his questions now.

Mr. Turner, seven minutes.

Hon. Garth Turner: Thank you, Mr. Whyte, for being here.

As a small-business owner, I know that the number one complaint of business is, as you correctly spelled out, compliance costs. So let's talk about that complaint for a couple of minutes.

First, I would like you to compare the burden on your members of federal versus provincial compliance costs—and I'm thinking particularly of worker safety, WSIB, the employer's health tax, and PST. Is the federal government any more burdensome than, for example, the Province of Ontario?

Mr. Garth Whyte: Well, it will take me some time to answer that, but I can answer it.

It depends. The federal government isn't in on labour standards issues, for example, which are big issues. If you ask about the most burdensome regulations, employment standards are number three, and workers compensation is number one, historically.

Hon. Garth Turner: I'm just thinking about compliance costs.

Mr. Garth Whyte: No, I'm talking about regulations and compliance costs.

Hon. Garth Turner: Right.

Mr. Garth Whyte: In Ontario, workers compensation is identified as number one. You can see that the harmonized sales tax was number two. So in some instances, the provincial government has more regulations and more compliance burdens.

As far as the federal government is concerned, the compliance costs for our members on the tax side, if you look at figure 14, the federal tax system is much more difficult. It's identified as increasing, but it's also more difficult than the provincial side.

Hon. Garth Turner: I just want to put that into context. So you're saying that the provincial government generally is equally burdensome right now.

So how does the federal government lower the cost of compliance? Do you have a top one or two or three recommendations for us on how specifically that could be reduced?

Mr. Garth Whyte: Yes, I do.

First-off, they've got to measure it; they've got to know what the overall compliance burden is. Secondly, you have to make it a priority to deal with it. Thirdly, you've got to report on it, and set targets on how to reduce it.

Then there are several areas they could look at. From our members' point of view, it's the GST-HST and the PIT that need to be looked at.

Hon. Garth Turner: Do you have specific recommendations for us on that?

Mr. Garth Whyte: We have a lot of specific recommendations. We've had four days' notice to prepare specific recommendations. We're hesitant to give you the specific recommendations, because they amount to what we call weed-whacking. You get one issue, and you knock it down; and up comes another one, and you knock it down.

We do have a couple I would mention. One would be the automobile expense. Every self-employed person has to do an automobile expense; they don't get a per kilometre mileage per diem, or anything like that. I would like one or two of you to just go up there and to try to find out where it is. It's called the automobile expense; well, it's not, but is actually called the motor vehicles expense. Then you go through it, and you've got to find out if it's

joint ownership, or the type of vehicle that you need. Then you've got to go to the type of vehicle owned, and then you go into that. And then from there—

• (1600)

Hon. Garth Turner: Okay, I'm going to cut you off, because we have only seven minutes. There's no point in going through everything we can already get.

I'm just wondering if you are able to table specific recommendations—

Mr. Garth Whyte: Yes, we are.

Hon. Garth Turner: —because if you can't, then we can't have you back a year from now to judge any particular performance of the government. It's important for us, as an oversight committee, to know exactly the kinds of questions you want us to ask.

Mr. Garth Whyte: Well, first off, what's the extent of the problem? You can have specific examples, but you should know the total cost. And that can be done.

I'm chairing a committee right now with the government that was started by the Liberal Party and has been continued by the Conservative Party. There's a Stats Canada report that's going to come out that shows you can actually measure CRA compliance burden problems. It should be reported on yearly, and the targets should be set. Then this committee could say, well, what are you going to do next year, CRA?

And the reason it's not translated is that it's from B.C.; it's not our report. Everything we've provided is translated.

Hon. Garth Turner: Okay. Are you going to be providing this? Will you have a specific checklist for a specific number of recommendations?

Please, I'm not trying to be difficult—

Mr. Garth Whyte: No, no, you're right. We will.

Hon. Garth Turner: You have to be specific so we have something to actually gauge performance on. I hope you're able to table that. Obviously you can't do it now, but I hope you will.

Mr. Garth Whyte: We will.

Hon. Garth Turner: What's your position on harmonization?

Mr. Garth Whyte: We primarily support it. We supported the HST harmonization in the three Atlantic provinces. We'd like to see it in the fourth, and we think that should be pursued.

Hon. Garth Turner: In what regard? How actively are you doing that, in terms of harmonization?

Mr. Garth Whyte: Well, it leads to the window of opportunity if you can get provinces in a minority government to play, and I don't know if that's the case right now.

And you know—because you introduced the GST—how hard it is to get departments to play ball with the federal government to harmonize.

Hon. Garth Turner: Do your members want harmonization?

Mr. Garth Whyte: It's a 60-40 split sometimes. Our politics are the government's politics. It depends, because when you harmonize, you expand the base. So some people may be exempt right now or they may not be exempt. But by and large, we support the harmonization, yes.

Hon. Garth Turner: What are the lessons of lowering the GST? Because we're going to do it again, okay? It's going to 5%; count on it. So what can we learn from this exercise that we can apply next time—hopefully soon?

Mr. Garth Whyte: Well, I think we've learned by good practice.

First, you need to inform people; you do need some time for people to comply with it.

Second, 80% of our members strongly supported lowering the rate. We'll have to wait and see. After July 1, we'll do a review and find out what was involved, but we think right now it's going fairly smoothly.

Hon. Garth Turner: All right. In terms of the reduction to 5%, are there any instructions, is there any help you're giving your members in doing that? We know it's going to happen. After we're elected with a majority, of course, there's no question about it.

I wonder if you might comment on that.

Mr. Garth Whyte: Well, as we presented to you, we have a one-page handout that talks to our members about what you need to do to comply, how they should do it for the government.

You have more time, if you're going to reduce it to 5%. My personal recommendation is that you should challenge some of the provinces to harmonize. That's the only time you can do it, when you're lowering the rate. We would like to see that.

Third, give us some lead time so we can survey our members and talk to them about how we can do this, and we can see where they stand on harmonization right now in Ontario. It varies from province to province. P.E.I. would be quite interesting.

Those are three things off the top of my head that I think you could do. And fourth, give us more than four days' notice before we have to answer a question like this.

The Chair: Thank you, Mr. Turner.

Over to you, Mr. Christopherson, for seven minutes.

Mr. David Christopherson (Hamilton Centre, NDP): Thank you, Chair.

Thank you very much.

It is a shame you've had such limited time to prepare, given the complexity of what we're dealing with.

I just wanted to take you back to figures 1 and 2 that you referenced. I couldn't help but be struck by the degree of improvement, quite frankly, given that I'm the critic for revenue and I sit on public accounts. We do a lot of criticizing; that's part of what our job is. But I have to say I was struck by this, and it looked good.

Do I take from that—because that was the macro picture you pointed to when you were asked for the macro picture—that by and

large you're comfortable with the model, that you think the move to the agency model has served us well, us" being all of Parliament, all Canadian people?

Mr. Garth Whyte: Yes, we support the agency model. We think it is moving in the right direction. Of course, they had other priorities to focus on, other than compliance, but we think that should become a priority.

We're one of the strong advocates pushing for review of the act and parliamentary accountability. We really pushed for this. We think it's necessary. And we think ministerial accountability is necessary. But we think the agency approach is a good one.

There's one major reason, to go back to what Mr. Turner was pointing out. You want harmonization not just in the GST, but on collection with provinces and with the federal government. Provinces were not going to do it if it was done through a federal department. It had to be more of an agency, with a board to oversee it. I think that's the model. But they still have to be made accountable, and that's why we like the parliamentary accountability.

• (1605)

Mr. David Christopherson: Right.

As you well know, this is an actual review of the act itself, the mandated act. So we're not really into the regulations or the practices within. We're dealing with the legal structure, and the act that gives it legal effect. Will you be making recommendations for changes there?

I noted that most of the comments you made seemed to be directed to regulations or practices, as opposed to the actual structure.

Mr. Garth Whyte: The act still stands, as far as we're concerned. We were involved with the drafting of the act, and we think it's still appropriate.

Mr. David Christopherson: Okay, good. That's fine. Then we can just chat further about the agency itself.

I don't know if you've had a chance to see the Auditor General's report.

Mr. Garth Whyte: No.

Mr. David Christopherson: It would always be interesting to get your feedback on that, given your level of expertise in this particular area. I think what you'll find more than anything is that I was trying to keep in mind her report and tie it to your findings, and it's very similar. The areas on the consumer side where there are problems are very much related to what the Auditor General found. So you may want to look into that.

I also want to draw your attention to figure 4. I was very pleased to see, if I'm reading this correctly, that both business owners and tax practitioners were commenting that it was the best improvement in terms of treatment by staff. So the actual people, the other Canadians who work in this agency, it would seem that their interaction, certainly with your members, is one of the best areas of improvement. I wonder whether you could comment on that and whether there is anything you can add to that as to why. Is there anything you can point to, or did it just sort of happen and you're thrilled with that?

Mr. Garth Whyte: If you go to the auditor section in particular, where you see an enhanced improvement in professionalism and attitude, that's not an issue for us. The issue is more one where I would talk to you and ask you for a ruling and you'd say, "Hi, my name is David." You don't give your last name. Then I'd say, "Thanks. I wasn't clear on the phone, so I would like to talk to David." They say, "David who?" And then they say, "Well, I'm John; you're going to have me today." "Oh, but David said this other thing. Can you give me something in writing?" "No, we don't do that." Where do I go? It's very difficult.

That's the frustrating part. It's not the person but the process. Also, even the staff have some problems. This tax act is very hard to administer.

We have other examples that we could give, like the \$500,000 capital gains exemption, but I don't want to interrupt your question.

Mr. David Christopherson: No, that's fine. I don't really have an agenda. I'm not drilling into it.

Mr. Garth Whyte: That's good.

Mr. David Christopherson: If you're not looking to make changes here, then what we need to do is have this dialogue to help us understand.

It's on TV. People certainly have their feelings about the agency.

I would suggest to you—this is just speculation—that in most cases, if you want a change in attitude with the staff, change the attitude of the people who are managing them. It's amazing how that will do it. So maybe the whole move from one entity to another instilled a whole different outlook in terms of the service for Canadians, but also for the staff.

If you treat people with respect and decency, guess what? You get decency and respect back.

Ms. Corinne Pohlmann (Director, National Affairs, Canadian Federation of Independent Business): Yes, and I just want to comment on that, because I think we have found as an organization that our relationship with CRA has vastly improved over the last five years as well, since they became an agency. Just the GST piece that we did a few weeks back was a real testament to that. Within 24 hours we had a response on what we needed as well, so we could get it out to our members fairly quickly. I think that's part of that culture that's changing, and that's where the treatment of staff comes in.

Mr. Garth Whyte: But I do want to capture that major point. What we're doing here today is looking at the act, and I wouldn't want it written in the act, but it has to become a ministerial priority and a parliamentary priority that improved service is a number one priority.

You can't go after individual cases. There are certain things you can't get before the tax courts. But you can demand improvement on readability and accessibility of information. You can ask for an improvement, a reduction in paperwork and compliance burden, and that should be made a priority.

We have worked with the department, but there have been false starts quite a few times, partially because of a minority government. As you say, employees need to be given a mandate sometimes. They have a lot to do anyway, but if it were said that this is a priority, and

it's a non-partisan priority, it would be quite powerful and you would see results. If they were required to report every year on the measurement, the reporting, and the reduction of paperwork and compliance burden, you would see results.

• (1610)

Mr. David Christopherson: Thank you very much for your input.

Thank you, Chair.

The Chair: I want to thank you for your questions, Mr. Christopherson.

Mr. Pacetti, you have five minutes.

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

Good afternoon, Mr. Whyte. We've met before, and I always appreciate your input.

Just for your information, the committee is here, and any time you do want to forward to us some of your studies or some of the items you're working on, you should let us know.

I think you were aware that we were working on the CRA. Even if we didn't decide to study it at the last minute, you could have provided us with some details, because these are issues on which I think you're in closer contact with the people than we are at different times. So any time you want to forward something through the clerk, I think it would be appreciated by the committee members.

Most of my questions have been covered by my colleagues. I don't want to get into a political discussion, but just to understand your members in terms of owners, why would they think the reduction in GST would be more advantageous? I understand from a retailer point of view, but for a business owner who is selling and purchasing, the effect is zero, because it's a consumer tax, not necessarily a business tax. They are getting their money back on the inputs.

Mr. Garth Whyte: First off, the overall tax burden is our members' number one issue.

Secondly, we asked them, "What are the big issues you want reduced?" Number one was personal income tax, and number two was fuel. Number three was corporate income taxes, but closely behind that was the GST. Consumer spending helps drive this economy, and I think they saw this as—

Mr. Massimo Pacetti: I understand that, but for a business owner it's a net effect of zero, pretty well, because he's getting back the GST that he's paying or collecting—correct?

Mr. Garth Whyte: A lot are, but not all.

Mr. Massimo Pacetti: There's an obvious advantage for retailers, because they're probably going to increase their sales as a result of the reduction, or we're assuming so.

Because we are looking at the act, and because I wasn't here when we implemented this act, I'm wondering if we could put in items such as asking for availability of information, simplicity of information, and the willingness to provide information. Could we put that in the act? Could we ask that certain levels of service be maintained, or are there any standards that we could put into the act?

Mr. Garth Whyte: I think you probably could, at least a reporting requirement, that they would report on the state of this with the aim of reducing where possible. I think you could do that.

Mr. Massimo Pacetti: With your expertise and your knowledge and background, would you be able to provide us with something? I'm not sure when we're going to be writing the report, but I guess the sooner the better.

Mr. Garth Whyte: Sure, we could look at it, but we would definitely want to work with the agency to do that, because they are the experts, really.

Mr. Massimo Pacetti: Fine, and that brings me to my other question that you brought up before, where the CRA doesn't seem to be working in conjunction with the Minister of Finance and it seems to be two separate departments. But I asked the question a few times.

We don't know what the budget is going to cost and what the burden will be on owners and individuals to be compliant with this new budget. Do you have any concerns, or how do we improve this? How do we make CRA more of an influential body for the Minister of Finance to actually consult, or the Department of Finance to actually consult the agency.

Mr. Garth Whyte: By and large, they do, but I do think lots of times there's a political announcement. I think, though, there are a lot of low-cost victories or benefits that can be brought about just by improving the information in the tax act. Sometimes there is a disconnect with the announcement versus the implementation of that announcement.

Mr. Massimo Pacetti: Disconnect? Where do we attach the pieces? Why is it getting more complex? I understand that some of the decisions are political, but let's try to make this easier for people if we can.

Mr. Garth Whyte: I'll give you a quick answer. There have been three budgets in fourteen months, and that's not including the one that didn't happen. Think about that. There have been so many different changes. How do you keep up with those changes?

Mr. Massimo Pacetti: But does the CRA keep the Department of Finance up to date as to what the recommendations should be?

Mr. Garth Whyte: I'm sure they work hand in glove, but often, though....

I think what we're putting on the table here is a lowering of the overall tax burden.

•(1615)

Mr. Massimo Pacetti: I'm not asking you what they do. What I'm asking is what happens. Do you sit down with CRA and then you actually sit down with the Department of Finance, and then you realize there's a disconnect? I'm just asking how, from your experience.

Mr. Garth Whyte: Again, I'll go back to the GST. It's a 1% reduction in the GST. No one was thinking about the compliance

side of it. We brought it to the table. We did a quick survey. We said, "Oh, did you realize that you have to change your catalogues, you have to change your cash register, you have to change these things?" Then the revenue agency said yes, they knew about it. Therefore, we need more time. So there's the actual tax announcement, but then there's the implementation of that tax announcement, and often that is the case.

On the GST, when it was first introduced, it wasn't the rate exclusively that was the issue. It was the compliance burden that was the issue. So that's where I think, if there's a message here....

CRA often identifies itself as a collector of revenue. We see them as a major player in the economy, because they're the ones that implement these policies. Sometimes there are good policies that are so complex that they're not even implemented, and I think that's one thing we could look at.

Mr. Massimo Pacetti: Thank you.

The Chair: To continue, we'll have Mr. Bouchard. You have five minutes, sir.

[*Translation*]

Mr. Robert Bouchard: You have evaluated the quality of certain agency services over a period of a few years. I did not see this in your documents, but you mention payments.

Have you studied or evaluated the idea of reducing the paperwork for payments? Can we say that the Canadian government has made some efforts to simplify the paperwork for SMEs?

When I meet small business owners, they tell me that they are tax collectors for the government, that they are working for the government, even though they own their own company.

You carried out studies from 2001 to 2004. During that period, was this paperwork burden reduced at all? Could you suggest some ways to simplify the forms so that the small enterprise owners whom I meet can tell me that things have improved, that they are working less for the government and more for their own business?

[*English*]

Mr. Garth Whyte: Sometimes it has been done, and it's been hard to inform people that it's been done. I think CRA tries to do this a lot. They used to have a small-business advisory committee. We see it as such a significant issue that we've made it one of our top priorities. We did a major report, which we distributed across the country.

I'm co-chairing, with Industry Canada, a paper burden reduction committee, which I think CRA should follow. The committee sets out a ten-step process based on what other jurisdictions are doing, what other provinces, including Quebec, have done, what the Dutch have been doing, what other places have been doing, and what works.

The first thing this report, which I can table with the committee, does is to make it a priority. You have to have a long-term commitment and a shared vision, and you have to have champions that will do it and make it a point.

The second thing is that you have to measure it. If you don't measure it, you can't improve anything.

Third, you have to set targets. For example, our report said we wanted to reduce from 40% to 20% the number of people who identified readability and simplicity of information as being poor. And there are specific areas where you can do that. We have some examples. I don't want to use up all the time, but we've got lots of examples of where we think things can be improved.

Finally, we think rather than just making a cultural shift, there needs to be an actual priority assigned within the commission, saying that we want to make sure that we're going to improve service—even though it's been good. Information on some consumer rights needs to go out to various taxpayers, saying here's what you need to know: you have a right of appeal, you have a right of notice. There are a bunch of things that could be linked to this.

So we think there are quite a few things that could be done.

[Translation]

Mr. Robert Bouchard: I have two questions about client services.

I do not know whether this applies to SMEs, but the agency has changed its way of dealing with individuals. Now, appointments must be made. Previously, a citizen would go to an office, and after waiting for some time, he could meet an agent. This procedure was changed and now there are appointments. Does this also apply to small business owners who want to meet an agent of Canada's Revenue Agency? Must they make an appointment?

On the other hand, I would like to know whether you will evaluate the wait time for telephone calls. When a company phones an agent of Canada's Revenue Agency, is there a long wait time? Have things improved? I would like to know what is going on, because I have heard comments about this, but these come from agency employees who say that the wait time is longer, and that fewer services are being offered.

I would like to hear what you have to say about this.

● (1620)

[English]

The Chair: Unfortunately, unless you can answer that question in about ten seconds, Mr. Whyte—

Mr. Garth Whyte: I'll let Corinne.

The Chair: Okay.

Mr. Garth Whyte: She's more succinct than I am.

Ms. Corinne Pohlmann: I'll try.

As for interviews with business owners, I'm not 100% sure that option is available, though I'm sure it is. But when it comes to waiting times on telephones, it has actually improved quite a bit. There is a business window, a direct line that CRA has for businesses, which allows them to actually get somebody on the phone fairly quickly. The problem is that the first phone call may be in Montreal; the second time you call it may be in Regina; and the third time it may be in Halifax, so you're never dealing with the same people. It's very rapid response, but it's not necessarily the same people you're dealing with all the time.

The Chair: Thank you.

The next questioner is Mr. Dykstra. Five minutes, sir.

Mr. Rick Dykstra (St. Catharines, CPC): Thank you, Mr. Chair.

Although you make a lot of recommendations and did a lot of review in terms of making sure that you could apply some numbers and some facts to what you'd like to be able to say, what is your relationship with the CRA?

Mr. Garth Whyte: Our relation, I think, is excellent. We have good access and we presented this to the entire executive a year ago.

Mr. Rick Dykstra: You've come to some conclusions; you've come with some recommendations. What's their perspective in terms of implementation of what you've recommended?

Mr. Garth Whyte: I think there have been some changes in ministers in the minority government and there's been a significant changeover in senior management in the last three years. A lot of corporate memory has disappeared and that new corporate memory is starting to come up again.

So it's been slow, I think, to do some of these things. Some things have been great, but as an overall priority it's still not there.

Mr. Rick Dykstra: So your relationship is still under development in terms of when you make recommendations that you get from membership, there will actually be some concrete evidence that they're going to implement the recommendations.

Mr. Garth Whyte: Yes, it's intermittent.

Mr. Rick Dykstra: One of the things that I noticed small business demands is accessibility to staff. I wonder how they may have responded to your recommendations with respect to issues that you just spoke about as well, in terms of direct contact and resolving issues. For small business, that's what it's all about: make a phone call, say what the problem is, come to a resolution, get back to work.

Mr. Garth Whyte: Part of it is that CRA has staffing issues as well; the shortage of labour issue is hitting everyone. Some of it could be inexperience, the person on the phone. Sometimes it's the people phoning; they don't give you the full information. I think there are things we can do, and we're stepping up to make this a priority. We're hoping the commission is going to step up, and yes, this is a priority for us too, and we'll work out a strategy.

Then you get down to case studies. When you say information is complex, what do you mean? We have to get to the specifics and we haven't done that yet.

Mr. Rick Dykstra: A couple of days ago, when we did meet with him, the question that I had asked, and you alluded to it, was about the three priorities. You added that one was core capacity, one was maximizing a particular model of governance, and the third was maximizing the delivery of business. You suggested a fourth service priority, which I think alludes to the question I just asked. Could you elaborate a little bit on that?

Mr. Garth Whyte: We think they should make reduction of compliance a paper burden and improve service as a key priority, and I don't see it in those three that were listed.

• (1625)

Mr. Rick Dykstra: I guess the final question I have relates, again, to the relationship. You mentioned that you hadn't reviewed the auditor's report with respect to the CRA. I wondered if, moving forward, there wasn't some usefulness in doing that in the sense that you go out to your members and survey, and then the Auditor General also has made recommendations with respect to changes and advancements and corrections that should be made.

From your perspective, should you play a role in that, or should you at least be able to augment the research that you do with the auditor's report?

Mr. Garth Whyte: I think we should, and after listening we will.

It's nice to be put in the same category as the Auditor General, because as far as small business goes, we're the only group that can do this type of service. I'm perceiving from the committee that it's a given, but it wasn't that in the past.

We do believe that they should use both the auditor's report and this report as a benchmark on measuring improvement and service, and that's what we're putting on the table.

Mr. Rick Dykstra: The question I would have is this. If you could just quickly think of a process, as how it would happen, some of the things that you have in your report and some of the things that come out of the Auditor General's report are not dissimilar. That's why I brought them together.

Mr. Garth Whyte: So obviously we should look at where there are similarities and they should go for that. We should try to identify them.

Mr. Rick Dykstra: Good, thank you.

The Chair: Thank you, Mr. Dykstra.

Mr. Pacetti or Mr. McKay, who is going to proceed?

Hon. John McKay (Scarborough—Guildwood, Lib.): I will.

The Chair: Mr. McKay, three minutes.

Hon. John McKay: Welcome to the committee again, Mr. Whyte. If you are in fact put in the same category as the Auditor General, we'll have to start calling you Saint Garth.

The essential task of this review is to determine whether the CRA is in fact as efficient as Revenue Canada was when it was Revenue Canada. In your figure 16 you show the cost per tax dollar collected at 2.5%. Essentially over the ten years it doesn't seem to have changed that much. Do you have any comments on why that would be this way?

Mr. Garth Whyte: I think it spiked when it became an agency, because there were start-up costs, and I'm sure there were staffing issues—a lot of issues there.

It's a proxy measurement. It looks at total revenues collected versus the cost to run the agency. I haven't seen any other measurements put forward, but there should be some measurements to say whether it's more efficient. I would hope this comes down over time.

Hon. John McKay: That's an interesting figure in terms of trying to make the argument that it should stay as an agency. As an agency and as a department, it doesn't seem to make any difference in terms of cost—

Mr. Garth Whyte: Right now I think it's still to be decided. I think five years may be too short a time period. Don't forget about that other agenda. That other agenda was for the revenue agency, and they do, by the way, collect revenues for the provinces, and even for municipalities down the line. I think that's a very important objective, and that's not going to happen if it's a department—there's no way.

Yes, I think they should be monitoring this and also giving us other feedback on how it has improved, and maybe it has. This is just one thing we put on the table a year ago.

Hon. John McKay: Your other statistical analysis was in terms of client satisfaction over the past five years. It seems to be middling; as many people seem to think it's improved as think it has got worse. Everything seems to be flatlined.

Mr. Garth Whyte: That's right.

Hon. John McKay: The final question has to do with the time of compliance increasing from 6.6 days to 8.9 days. What are the reasons for that?

Mr. Garth Whyte: I don't know. I think they're more in-depth and a lot of them are the GST. The number one issue is on the GST.

Yes, that was our question as well. There may be a way of simplifying this and making it shorter. Again, within the agency they may want to track that and make that one of their goals.

The Chair: Thank you, Mr. McKay.

Mr. Del Mastro.

Mr. Dean Del Mastro (Peterborough, CPC): I'm going to go back to the GST for a moment. I asked a specific question of the agency the other day when they were here that pertained to first of all their seeming to be very strict when the money is due but very slow in paying money back when it's owed. Is that the principal problem we see with the GST? People get very frustrated at that.

• (1630)

Ms. Lucie Charron: A lot of what we've been hearing from our members is exactly that. When it comes to remitting it's very strict, but when it comes to credits from overpayment, we've heard in some cases it's taken two years to get a credit and in some cases it's taken six months. There's quite a discrepancy there.

Mr. Dean Del Mastro: My understanding is—and certainly I've had some personal dealings as well—that the appeal process is actually quite poor pertaining to the GST as well.

Mr. Garth Whyte: Well, it can be improved.

Mr. Dean Del Mastro: Frequency of audits and the time duration of audits are both increasing. Are we tending towards a bit of harassment here of our small-business owners? There is certainly an opportunity cost involved with audits.

Mr. Garth Whyte: There is, and people do not like to be audited, but I would still go back to figure 11, where they talk about the quality of the audit and the people auditing it. That's a really good report card. The audits were less onerous than people thought. I would lean towards this: maybe there is a policy where they want to spot-check more, but I don't know what that is.

Also, I think people want to do the right thing, but you can't do the right thing if it's unclear what the rules are. You don't know where to get the rules and you can't get interpretations on the rules. That's another message that's coming out of this report.

Mr. Dean Del Mastro: How can we make the GST a little easier to submit? Would you like to see an electronics submission process, or something like that, where business owners wouldn't have to go to the bank, for example?

Ms. Corinne Pohlmann: Absolutely, that would be very helpful, plus a little more flexibility around the remittance schedules that are in place. As well, one of the big issues right now is that it's always based on estimates rather than on actuals, and that can have a big impact on people's cashflow.

Mr. Dean Del Mastro: Thank you, Mr. Chair.

The Chair: Thank you, Mr. Del Mastro and committee members, for your questions.

We appreciate the responses of Mr. Whyte and our guests today.

On behalf of the committee, thank you for being here.

Also, we want to give you a heads-up, given the lack of notice for today's meeting. I'm notifying you now, on behalf of the committee, that we expect a presentation on the pre-budget consultations in the not too distant future. You may begin your preparation for it.

Mr. Garth Whyte: Thank you. We'll get on that right away.

The Chair: Thank you.

I'll invite the other panellists who are joining us to make their way forward as best they can, and we'll proceed.

Mr. Garth Whyte: Thank you.

The Chair: I will use this opportunity to remind committee members that our Monday meeting will feature testimony from the Minister of Finance regarding the parliamentary budget analysis office. Also, the Auditor General will be here on Monday, from 4:30 to 5:30, to give testimony with respect to the analysis of Revenue Canada in the context of her most recent report. That's just to remind members about Monday's proceedings.

Our guests for the second portion of our testimony today are from the Professional Institute of the Public Service of Canada. I understand that Madame Demers will be doing the presentation.

I welcome you all.

Madame Demers or Mr. Gordon, I invite you to begin your presentations.

Who do you wish to present?

Mr. John Gordon (National President, Public Service Alliance of Canada): There are two presentations. Michèle is going to be doing the presentation for the Professional Institute.

The Chair: Followed by PSAC?

Mr. John Gordon: We're doing a tag team here. She said that I can go first; I said that she can go first.

The Chair: Take it away.

Who do you wish to proceed?

Mr. Gordon.

Mr. John Gordon: Thank you very much, Mr. Chair. On behalf of the Public Service Alliance of Canada, thank you for giving us this opportunity.

I have with me Betty Bannon, who's the national president of the Union of Taxation Employees.

I want to first of all thank the standing committee for inviting us to appear this afternoon.

The CRA is an important part of the government's operation and structure. It is one of the largest definable parts of the government, and, notwithstanding its mandate, is well respected by the majority of Canadians. This fact is in no small part due to the skill and hard work and dedication of the 26,000 PSAC-UTE members who work for the CRA.

I should like to say at the outset that while this five-year review is legislatively mandated, a fundamental restructuring of the CRA would not fit well with PSAC, our component—the Union of Taxation Employees—or the thousands of members we are privileged to represent who work for the CRA. Let me say off the top that I acknowledge that the government has every right to restructure and reorganize the operations, but these rights should be tempered. They should be tempered in the case of the CRA because of the enormity and complexity of the restructuring that created the CRA a little over five years ago, a process that is still incomplete, in terms of some significant human resource issues that we'll address in a minute.

Members of the committee should understand that the adoption of the legislation that created the CCRA was not the end of the process. The CCRA workforce that was represented by the PSAC and by UTE and CEUDA—which is the Customs Excise Union Douanes Accise—which are our two components with members who were transferred from Treasury Board to the CCRA, went through a certification process that took fully 18 months and cost our members tens of thousands of dollars. More importantly, we were not in a position during this period to exercise our full rights with regard to collective bargaining, and let me explain that.

While we negotiated with the CCRA management during the period and successfully reached an agreement, the Public Service Staff Relations Board deemed our agreement to have been an agreement in terms and conditions of employment rather than a negotiated collective agreement. Thankfully, we were able to reach an agreement at the table, because until we were certified by the PSSRA, we did not have the right to strike or the assistance of a third party through the establishment of a conciliation board.

There are consequences to restructuring, particularly when the restructuring changes the official employer of the government department or agency workforce. As members of the committee are aware, despite its relative youth as an independent agency of the federal government, the CCRA has gone through a significant restructuring in its own right. On December 12, 2003, Canada Customs was transferred to the Minister of Public Security and Emergency Planning. Notwithstanding our position that this was an appropriate restructuring of government operations, it had a significant impact on our members who were transferred to the Canada Border Services Agency as well as on those who remained in the more narrowly defined Canada Revenue Agency.

In its first report, "The First Five Years", the CCRA had this to say, and I quote:

In 2003 the Agency initiated the development of a new classification standard for the Program Delivery and Administrative Service occupational group, which covers approximately 75% of the CRA employees. However, the work has been temporarily put on hold as a result of the departure of Customs to the new Canada Border Services Agency.

Leaving aside the fact that we don't believe that the CRA, like the federal government in general, has moved quickly enough to update what is truly an antiquated classification system, there can be no doubt that restructuring within government departments and agencies delays the process, with significant negative consequences for the workers we represent.

I said at the outset that governments have every right to restructure and reorganize their operations, but in addition to the tangible impacts of restructuring, some of which I have outlined in the CCRA, CRA, and CBSA situation, there is a view strongly held within our membership that there is no stability within the government's administrative structure, and that while change may be a good thing, constant change undermines the morale and the effectiveness of public institutions.

• (1635)

As a result, we strongly encourage the government, and particularly a government in a minority Parliament, to take a step back and allow some of the restructured departments and agencies, including the CRA, a period of stability, a period of time to complete some of the processes, including classification, that are both necessary and desirable.

That said, there are issues at a more micro level where we think change can and should take place. I will start with a few comments on collective bargaining, and Betty Bannon will talk briefly about union-management relations, and particularly staffing and staffing recourse issues.

• (1640)

The Chair: If you could summarize, it would give our committee members time to have an exchange with your panel. I'd ask if you could move more quickly on your presentation and give Madam Bannon a chance to conclude.

Mr. John Gordon: Okay.

I just want to say that in addition to the terms and conditions of employment that I spoke about earlier, which were concluded in 2000, the PSAC has concluded two collective agreements with the

CRA, one negotiated without strike action and the other following several days of strike action.

It is not my intention to use this forum to bargain with the employer, but I will make two points.

Well, I won't make those two points. You have them in the brief. I'm going to allow Betty Bannon to go from here.

Thank you.

The Chair: It's much appreciated. We'll go to Madam Bannon to conclude.

Mrs. Betty Bannon (National President, Union of Taxation Employees, Public Service Alliance of Canada): I want to start by saying that I am a CRA employee and have been employed for 34 years with Revenue Canada, CCRA, and the CRA, and I can say I've witnessed the good, the bad, and the ugly with the department and the agency as a front-line worker and as the national president of the union. In fact, one of the members around this table, I used to call Minister.

It may surprise you, but I can say that our relationship under the CRA structure is mostly good, and certainly better than when we were a department of the government. That said, the most important area where the CRA has failed to live up to its employer-of-choice model is in the area of staffing and staffing recourse. That is the bad, and in the given time available, that's what I'll focus on.

Under subsection 54(1) of the Canada Customs and Revenue Agency Act, the agency must develop a program governing staffing, including an appointment process and employee recourse when the process goes wrong. The act further states that no collective agreement may deal with staffing.

Unfortunately, the CRA staffing directives fall far short of providing transparency in appointments and do not provide any real recourse. Our experience has exposed a number of problems that I should like to table this afternoon.

From our experience to date, I can say that the CRA has refused to implement some of the findings of the independent third party reviewers, the ITPRs, and indeed denies that reviewers can make binding orders in contravention of its own directives. When an ITPR interprets a directive in a way that expands employees' right, the employer amends the directive to limit that right once again.

The Chair: Could I ask you to move to a conclusion, because we're not going to have time for an exchange or for other panel members unless we do that now. I'll give you a minute or two to round up, but we won't have time, because you're going to be using up about 12 to 13 minutes, by my estimate. Please move to a conclusion so that we can have enough time.

Mrs. Betty Bannon: May I ask how much time we have in total?

The Chair: My committee staff tells me you were asked to prepare an introductory statement only of two to three minutes. We've gone over eight and half minutes now. That's why I'm asking you to move to a conclusion, and I would appreciate it if you did.

Mr. Christopherson.

Mr. David Christopherson: I'm curious. The last one was an hour, and these are only half an hour. Is there a reason for the difference?

The Chair: No, not at all. That was the way we set up the meeting.

Mr. David Christopherson: I understand how it was set up; I was just looking for the why. Is there a rationale why one group got an hour and two groups got a half hour? No?

The Chair: There was no particular rationale. We didn't have confirmation until a late date.

Mrs. Betty Bannon: We were advised that it was 4:30 to 5:30, sir.

The Chair: That's quite true, but if we use all the time for presentation, madam, we won't have time for the committee members to ask you questions. That's all I'm trying to get across.

We have a copy of your presentation. Certainly our committee members will be reading it, and are, I believe, reading it now. But I'd invite you to move to a conclusion, because I want to make sure there's time for you to have questions.

Mrs. Betty Bannon: Okay. As you can see in the brief, we've outlined three or four other things the staffing regime does not cover. Our main objective is to table a recommendation to you. In our view, the staffing and staffing recourse needs to be included in the collective bargaining process so that the interests of the CRA workforce as well as the of employer are addressed.

This would require a change to the act, and I would urge the committee to take a close look at making one, in order that we can work with the CRA and bargain a staffing regime that will be both fair and effective to all parties.

• (1645)

The Chair: Thanks very much, Madam Bannon.

The Professional Institute of the Public Service of Canada wants to make an introductory statement of two or three minutes?

[Translation]

Ms. Michèle Demers (President, Professional Institute of the Public Service of Canada): Yes, Mr. Chairman.

[English]

The Chair: Proceed.

[Translation]

Ms. Michèle Demers: Thank you.

I am Michèle Demers. I am the President of the Professional Institute of the Public Service of Canada and I represent some 10,000 to 10,500 professionals in Canada's Revenue Agency.

Today I am accompanied by Mr. Réal Lamarche, who is the president of the audit group and other professional groups in the agency, as well as Mr. Michel Charette, who is the negotiator for the Professional Institute.

I will be brief, Mr. Chairman. I would just like to share with you the fact that, as president, and as vice-president before 2005, I have heard a cry of distress from both the employees and management of the Professional Institute of the Public Service of Canada regarding the procedures for staffing and recourse.

This agency has awarded itself very high marks in the report it made to you. Now we entirely disagree with it on this point. I agree with Ms. Bannon and John Gordon who say that the most crying need in human resource management that must be satisfied is the whole issue of staffing and recourse.

Let me give the floor to Mr. Lamarche, who will continue our presentation.

Mr. Réal Lamarche (President, Audit, Financial and Scientific Group, Professional Institute of the Public Service of Canada): Good afternoon.

My presentation will deal with two specific points: staffing and recourse. Section 54 of the Canada Customs and Revenue Agency Act deals with appointments and the recourse that employees can have. The Professional Institute alleges that the agency did not fulfil this commitment. The agency set up a system that turned out to be a fiasco. This system even compels managers to find other solutions than the current procedure. The agency's selection process is not universal. In the Ottawa region, only 1 per cent of competitions were carried out following the procedures implemented by the agency. This system is a source of frustration.

An internal review by the agency shows that 75 per cent of employees believe that the selection process needs improvement, because it is neither fair nor transparent.

The system should be quicker and more efficient, which is not the case. For instance, let me mention two competitions held in Montreal and Toronto in order to staff the positions that the agency needs. These competitions began 8 or 10 months ago, and no appointments have been made up to now.

The cost of implementing this system is enormous, astronomical. We evaluate it at \$50 million.

[English]

Now for the recourse part, I'll switch to English.

The Professional Institute is rightfully concerned with the recourse process put in place by the agency. In our view, recourse must be provided in a manner allowing for the cancellation or modification of the staffing action. Any recourse system that has any backbone must be consistent with the principle of natural justice, the most important principle being the right to representation.

Another concern often raised by our members and representatives is the disclosure of information, which occurs inconsistently and on a largely untimely basis.

After six years of our raising issues related to disclosure, we do recognize that CRA has finally agreed to show some opening in principle, which may lead to improved methods for the disclosure of information. Time will tell whether the principle will be followed by an equally open practice. You will understand and pardon our skepticism, given the agency's overall record on recourse.

Our conclusion is that the Professional Institute calls upon Parliament to direct the Canada Revenue Agency to meet its obligations under section 54.

•(1650)

[*Translation*]

The Chair: Thank you for your presentation.

Mr. Pacetti, you have five minutes.

[*English*]

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

Thank you, witnesses.

I'll be sharing my time with Mr. Savage.

My question is relatively easy, and I want to start at the end. If we approve this review, will your ability to negotiate with the agency be hindered? Is there any problem?

Ms. Bannon, you referred to perhaps amending section 54, and I haven't really read it, so I'm not sure. I understand there are growing pains and there have been some problems with CRA when it went from Revenue Canada to become an agency, and then the Canada Border Services Agency was split off. But is that the mechanics, or is that really going to affect us in terms of giving consent for the review to go ahead as is, or for the agency to continue as is?

I guess my question would be to all three groups, Ms. Bannon, Mr. Gordon, and Madame Demers.

Mrs. Betty Bannon: If you leave it the way it is and not amend it, we'll be able to bargain staffing. I mean, we will continue to meet with the CRA and do our best to convince them to change the staffing regime to include this, and so on. The act specifically states it will not be part of the bargaining process. If the act is changed to make it part of the process, you still can't force them to bargain. You can go to the table with it, and they may very well say no. But at least during the bargaining process, there are ways and means to exert pressure on the employer to maybe make them think longer and harder that changes are required for their staffing regime.

Mr. Massimo Pacetti: Mr. Gordon, you were saying that most of the problems are like growing pains. Did I understand that correctly? It's just issues: that had it been Revenue Canada, you would have had the same issues. Or am I misunderstanding that?

Mr. John Gordon: When it was Revenue Canada, it came directly under the Treasury Board. When we negotiated a collective agreement, it was with Treasury Board. When they changed over to the agency, the first thing we had to do.... It was a brand-new organization and had to go through a certification process involving the Public Service Staff Relations Board, and that slowed down the process. More importantly, even though we managed to get an agreement in place—and we had this legal definition by the board and our position on it, which was a collective agreement—they said it was the terms and conditions of employment. That's not the essence.

The problem is that the CCRA tends to link itself far too directly, even though they've been separate agencies, with the Treasury Board. So they send their people to the negotiating table with us, and the problem there is they have no mandate. Each time we've negotiated collective agreements with them in the past, it's had to involve the president of the PSAC meeting with the commissioner and other officials to conclude a collective agreement, because they

don't seem to want to give the mandate to the people they put at the table. We believe that's where the agreement should be started and finished, without having to go into a discussion between the head of the agency and the head of the union. So these are the problems created by the changes.

In terms of the classification review, that was well under way, but once they divided the Canada Border Services Agency, or took the customs offices out and put them in the border services, they stopped the process. These are the types of things that get started, get stopped, and it's very difficult to get them started again. So we'd like to see some sense of stability, in order to get them to work out all the wrinkles of being a new agency.

Mr. Massimo Pacetti: So by okaying the five-year review, it will add stability and be okay with your group. Is that correct?

Mr. John Gordon: Sorry, I didn't catch the first part.

Mr. Massimo Pacetti: By okaying the review, it would add stability, so you would be in favour of us okaying the five-year review?

Mr. John Gordon: Yes, we think that it's fine where it is. There are a couple of problems that Betty has addressed in the staffing—

[*Translation*]

Mr. Massimo Pacetti: Ms. Demers, do you agree with Mr. Gordon?

[*English*]

Ms. Michèle Demers: I think the review needs to be addressed with strong recommendations. The feeling is that they put the cart before the horse in establishing their staffing and recourse mechanisms at the agency. It's poisoned everybody's life ever since.

There was a comment made by the previous presenters to the fact that the employees of Revenue Canada were professional and rendering a good service. But this is affecting people's lives directly, in terms of accessing positions, promotions, and so on.

•(1655)

Mr. Massimo Pacetti: Sorry, our time is limited, but I'm still not understanding your problem. Mr. Gordon at least stated that when you're negotiating, there seems to be a problem. For the professionals, where is the problem? When there's restaffing, reallocation of staffing?

Ms. Michèle Demers: The processes and the recourse—

Mr. Massimo Pacetti: What does that mean, staffing and recourse?

Ms. Michèle Demers: They're considered not to be an independent third party.

Mr. Massimo Pacetti: Staffing process, what does that mean?

Ms. Michèle Demers: I beg your pardon?

Mr. Massimo Pacetti: Staffing process, what does that mean?

[*Translation*]

Mr. Réal Lamarche: The agency has implemented a staffing process based on skill profiles. To advance in your career, you must have a theoretical skill profile. The system is so cumbersome, difficult and poorly planned that it interferes with our institute's and the agency's daily work.

The agency tried to create a monster, and now it is suffering the consequences. There is no staffing, and people cannot qualify for acquiring experience in view of the competition, not because they are not qualified, but because the existing staffing process is not responsive to their needs.

The Chair: Mr. Bouchard, please.

Mr. Robert Bouchard: Thank you for your presentations.

My question is for the Public Service Alliance of Canada. Some employees of the Shawinigan Tax Data Centre and the Jonquière Tax Data Centre, both of which are in the province of Quebec, told us that these centres were paying the price of a greater centralization of services. By centralization, I mean, for example, if compensation services were transferred to Ottawa and Winnipeg were to only offer partial services. Some employees also said that greater centralization would result in job cuts.

Do you support a centralization policy that would create jobs in Ottawa, or elsewhere, at the expense of other regions?

[*English*]

The Chair: Who are you directing the question to, Monsieur Bouchard?

Madam Bannon, would you like to proceed?

Mrs. Betty Bannon: Thank you.

It was directed to the alliance, so I'll take this one.

Some of the things that have been centralized are our compensation service delivery, which is our HR; call centres, for collections and forms and information; our warehousing, which has been reduced from about seventeen to two, and that sort of thing.

The compensation centres, for example—and I'll give you some of the problems that go with it—are now at two sites—one is in Ottawa and one is in Winnipeg. If you have a problem with your pay, you have to pick up the phone and talk to somebody either in Winnipeg or Ottawa, when you're in Shawinigan. People do not like having problems with their pay. I'm quite sure you wouldn't be too happy if your paycheque didn't show up or it was short by \$400 or there was something wrong with it.

Before they centralized, each office did have compensation service people on site. You could see them and talk about your impending retirement, discuss some of the things you will need to do, how much your pension will be when you leave, and that sort of thing. That is gone. Now you're on the phone and you deal with either Ottawa or Winnipeg.

We were told that we used to have a Cadillac service and they're not prepared to give a Cadillac service to the membership any longer. We're saying the first time your pay gets messed up, we want to be

there and we want to see who fixes it. I don't think they'll be calling Ottawa or Winnipeg.

We have fought a lot of these centralizations in the past. The HR section's business is to deliver service to their clients who are our members, and management as well. We are not in favour of the centralization, and we have expressed our displeasure at that. I gave compensation as an example.

• (1700)

[*Translation*]

Mr. Robert Bouchard: As I understand it, the union does not support the centralization policy.

Casual employees are under a lot of pressure at tax data centres because of the quotas they have to meet. If these casual employees in the regions had contracts that better met their needs, they would be able to receive employment insurance. But that is not of interest to management. By employing fewer casual employees, those who were given contracts could accumulate more weeks worked and would thus be entitled to employment insurance.

Are you going to push for action with a view to improving this situation?

[*English*]

Mrs. Betty Bannon: There are two things—well, three—that we've done specifically for term or specified-period-of-time workers.

One is, we conducted a joint study with the employer on the employment of term employees. There have been 29 recommendations made to the CRA with respect to term employment. Some of them have been implemented; some of them have not. As well, we have taken the term issue to the collective bargaining circle and have managed to make some headway in the collective agreement for those terms who are covered by the collective agreement.

The last one was done at the same time as the last round of bargaining, but not as part of the last round of bargaining. We have a term commitment paper signed by the then-commissioner, Alan Nymark, on the employment of terms. There are certain things outlined in that document that we are still meeting with the employer about, to make sure they are looked at.

The Chair: Thanks very much, Madam Bannon.

We'll go over to you, Mr. Dykstra.

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

I hope you had a chance to listen to the previous presentation and some of the comments that were made. From what I've noted, from an issues perspective, at least, the biggest issue brought up both by the CRA, the Auditor General, and the CFIB is the delivery of service or lack thereof.

I thought it only fair that either Ms. Demers or Ms. Bannon respond to that aspect of the lack or apparent lack of service delivery by the CRA.

Mrs. Betty Bannon: I don't know if you're aware, but the Union of Taxation Employees and the PSAC have a major campaign going on right now respecting the client service counters.

The CRA is going to appointment only. You will not be able to walk into the client service counter to get a copy of your return, to get a copy of your information—anything. You will be directed to a computer or a phone line. Our position is, we are opposed to appointment only, but we're not opposed to appointments. We feel that the clients, the taxpayers who pay their taxes, should still be allowed to walk in and get the service they pay for with their taxes.

One of the worst examples we'll give is a farmer anywhere in rural Canada. It will be very difficult for them to make an appointment, because they're only available when the weather's bad; otherwise, they're in their fields and working. It's going to be hard for them to make an appointment to come in to meet with CRA. Last year they could walk in anytime they happened to be in town.

• (1705)

Mr. Rick Dykstra: Thanks.

Ms. Demers, one of the.... I'm sorry, go ahead.

[Translation]

Mr. Réal Lamarche: The points that you have raised primarily concern PSAC members; however, it is also important that we not forget services for auditors. We are in favour of the overall improvement of service delivery.

[English]

Mr. Rick Dykstra: Just to follow up on that a bit, one of the other comments the Auditor General made was that from a professional perspective—the profession of chartered accountants—there were accountants who actually didn't have a lot of experience who ended up being hired by the CRA. That was one of the issues identified by the Auditor General.

Would you comment on that as well?

[Translation]

Mr. Réal Lamarche: That might create a problem. It is mostly members of the institute who are recruited. We would like the CRA to set up a training program. There is also a problem in terms of staffing. The CRA is neither able to recruit sufficiently qualified staff nor to offer the staff career promotion. Furthermore, it pays no heed to employees skills profile. The institute would like to see greater professionalization of its members.

[English]

Mr. Rick Dykstra: One of the things that's noted in your report is the aspect of a flawed staffing experiment. I wonder if you'd do two things: one, let us know who actually authorized the experiment; and two, tell us, has it changed since its implementation?

Ms. Michèle Demers: I believe that was one of the reasons that justified the creation of the agency, to make the staffing process easier and faster for the employer. As I said, they've learned on the job ever since the inception of the agency, and it has been, in our opinion, a failure.

I have a hot-off-the-press Federal Court decision here, where the judge said:

In my view, the unilateral action of the agency (without the benefit of any jurisprudence on the issue) in the circumstances of this matter does nothing to enhance the credibility of its staffing program. On the contrary, it undermines it.

They give reason to the appellant in this case and they quash the decision not to go for judicial review. And they make a very strong statement that the independent third-party review was ignored by the agency.

So when I say that, there's a cry from the heart on everybody's part saying that staffing and recourse at CRA are in dire need of fixing. They need strong recommendations from this committee, if you're going to agree to the review. And as the union representing the professionals there, we have some recommendations that we can forward to you for deliberation.

Mr. Rick Dykstra: That would be great.

Picking up on the review, then, I would ask: Who did the review? Was it an internal review or an external review? I note in here that it was third-party reviewers.

Ms. Michèle Demers: Third-party review is the process they have in place for recourse.

Mr. Rick Dykstra: Right, so was that third-party review done internally or externally?

Ms. Michèle Demers: It was instituted by the agency.

Mr. Réal Lamarche: The process is part of the recourse for staffing. They have a pool of what they call “outside people” with a specific mandate, and we go to them.

Mr. Rick Dykstra: When you speak of the millions of dollars that have been lost in this process—and you mentioned consultants—is that part of what you're referring to?

• (1710)

[Translation]

Mr. Réal Lamarche: We are referring to the overall cost of implementing the staffing system. You asked earlier who came up with the idea originally. Allow me to remind you that the Professional Institute of the Public Service of Canada appeared before this committee in 1999. At that time, we raised the issue of staffing as a matter of priority.

The system set up in response did not work then and does not work now. Even although its objectives have not been met, the government continues to throw good money after bad. The agency is unable to fill its vacancies. There is a crying need for auditors in the Montreal office. The competition process has been running for almost 10 months, but, as yet, nobody has been recruited. It is the same in Toronto: a competition for external candidates was launched in August 2005, but nobody was recruited. The agency has vacant positions that it cannot fill. Even within the agency, employees feel that the staffing process makes career progression an uphill struggle.

The Chair: Thank you very much, Mr. Lamarche.

[English]

To continue, Mr. Christopherson.

Mr. David Christopherson: Thank you very much, Chair.

And thank you all for your presentations today.

Unless I'm mistaken, I think I can confidently say that for all the words that have been spoken, you need to be congratulated, because you're the first group that's actually come in and made a recommendation to change the bill and act that we're here to review. Unfortunately, it stems from a lot of problems—and I'll get into that.

Ms. Bannon, you did make the general statement, and I'm quoting from your document: "...but I can say that our relationship under the CRA structure is mostly good, and certainly better than when we were a department of the government".

I assume that to say exactly what it says, that things are better, a lot better than they used to be, and that by and large you at least have a relationship that can work, but you still have some of these huge problems.

I'll pick up on where I think Mr. Dykstra was going on the third party, referring to section 59, which is where they actually ask for that arm's-length review. One of the presentations here—there are three of them together, but if I can treat them as one, whoever appropriately should answer, feel free—made the point that they didn't do the process the way they were supposed to—I believe that's an allegation contained in here—and that rather than randomly selecting employees to interview, you're alleging that managers hand-picked some of the people who went in and did these interviews. That's unless I'm misreading the document.

[Translation]

Mr. Réal Lamarche: There are indeed allegations that managers had hand-picked their preferred candidates. All I can say about the way in which candidates are chosen is that both members gave their approval, and then the third party adds his voice to the chorus.

Our main criticism is that no system was ever set up to allow people to show that they had the necessary skills and qualifications for a particular position.

[English]

Mr. David Christopherson: I think the problem is we're talking about two different things. I was talking about the review.... I'll just read the quote, and then you'll know exactly where I am: "Employees who were interviewed by the consultants were not selected on a random basis and were in fact invited to participate by local managers."

So I was referring to that review, which is mandated as part of this.

Mr. Réal Lamarche: That was during the review by Deloitte Touche—

Mr. David Christopherson: Yes.

Mr. Réal Lamarche: —about recourse.

Some of our people were not even interviewed. Some of our people were not even quoted in their report, and that was the big concern.

Our view of the Deloitte Touche report is that probably the report was written before the work or the interviews. That was our clear—

Mr. David Christopherson: We don't have a lot of time. I want to help you by getting to what you're looking to change.

Section 54 is the place you're looking to make a change. I assume what you would look for—correct me if I'm wrong—is a deletion of subsection 54(2), where it states straight up:

No collective agreement may deal with matters governed by the staffing program.

Would elimination of that suffice?

• (1715)

Mr. Réal Lamarche: Yes.

Mr. David Christopherson: Help me. I have a background in labour, from a long time ago now, but I've done a lot of this and have trouble understanding how staffing issues, which constitute arguably the biggest area of consternation.... Certainly when I was a union steward and a local union president, that was one of my biggest issues: dealing with bumpings, postings, new jobs, and who's qualified and who isn't. Then you get into the light duty stuff, and people moving around.... All of that is governed by the collective agreement. It's the only thing that keeps the place free from chaos during the course of a day. I don't understand how you can exist in a world where you're the collective bargaining agent representing the workers, but when it comes to staffing issues you have no collective agreement upon which to offer up representation.

Is it as bizarre as it sounds, or am I missing something?

Ms. Michèle Demers: It's close.

Mr. John Gordon: I think you got it pretty close—bang on—and that's exactly what we're looking for. The fact of the matter is, you're correct. Under normal circumstances, unions can bargain with employers, except if your employer happens to be an agency of government or government itself.

No other employer in the country gets to set the rules. The rules are set for labour boards by governments. They don't allow us to use them; they establish their own rules when it comes to dealing with us. That's what we're asking to have changed.

Mr. David Christopherson: If this were eliminated, would that then free your hand to bargain the way every other union I know of bargains?

We need this, because if we're going to make some changes, we need to hear exactly what you're saying.

Or does it need to be modified? Is removal alone enough, or does it need to be modified?

Mr. Shane O'Brien (Acting Executive Assistant to the National President, Union of Taxation Employees, Public Service Alliance of Canada): Maybe I could have an attempt at that.

I'm the executive assistant to the national president, but I am the staffing liaison and the chief consultant for the union in our discussions with the agency.

One of the biggest problems is that without the ability to negotiate, the employer, the CRA, has the unilateral and unfettered right to set the rules. As we go to their stages of recourse—where union representation is not allowed at the first two levels—and we make some inroads, the agency has the unfettered authority, with the stroke of a pen, to change the policy once again. Without the ability to bargain the rules at the table and to have rules we all must live by, or to negotiate those changes, our employees are left with a really futile sense of recourse. They have no real recourse.

In fact, as you'll see in our brief, one thing is that even when we do win before the third party reviewers—who are chosen by the agency themselves, and we are not consulted and have no choice as to whom they pick to hear the cases—and those reviewers find in our favour, the employer has no rules in their own policy that they must follow the findings, the binding recommendations of the reviewers. In fact, we are now, instead of dealing with these before the reviews, spending the time of the Federal Court Trial Division and the Federal Court of Appeal arguing staffing issues of the public service. And we are getting cool receptions in the federal court. They have bigger fish to fry than whether John Smith from Newfoundland or Sylvie Lefebvre from Quebec got an appointment from a PM2 to a PM3. But we're left with no other alternative than to fight our battles in the courts.

The Chair: Thank you, Mr. O'Brien.

Mr. McKay, to continue, for five minutes, sir.

Hon. John McKay: And continue it is, Mr. Chair, because I thought Mr. Christopherson was starting to get to the issue here.

Let me start with some fundamental questions. How big an employee pool are we talking about, and how do they divide up between professional and other?

Ms. Michèle Demers: We're talking about over 50,000 employees in total.

Hon. John McKay: How many employees?

Ms. Michèle Demers: There are 50,000 employees at the Canada Revenue Agency.

Mrs. Betty Bannon: Forty-five thousand.

Ms. Michèle Demers: Okay, it's 45,000. We represent 10,500; they represent the rest.

Mrs. Betty Bannon: That would be 26,000.

Hon. John McKay: That's 35,000.

Mrs. Betty Bannon: But there's management.

Hon. John McKay: And management are regarded as employees.

Mr. John Gordon: If we take them out, the problem would go away.

Some hon. members: Oh, oh!

Hon. John McKay: In the private sector, is there any other comparable size entity to CRA?

Ms. Michèle Demers: In the private sector?

Mrs. Betty Bannon: Unionized?

Hon. John McKay: The theory is that CRA is trying to look like a private sector entity. It will never be, but it's trying to look like one. Is there anything that's comparable to it?

• (1720)

Mr. Shane O'Brien: There are a number of private sector unions. For example, if you look at the Canadian Union of Public Employees, they spread across multiple employers. Actually, their numbers are larger than either PIPS or UTE. There are hundreds of unions out there in the private sector.

Hon. John McKay: So effectively, there's no comparable relationship in the private sector between you folks and CRA; there's nothing in the private sector.

Mr. John Gordon: Maybe in the auto industry.

Mrs. Betty Bannon: The auto industry, or train industry, maybe.

Hon. John McKay: Yes, the auto industry.... One employer, I think GM, has about 22,000.

Mr. John Gordon: Yes, but that's....

Hon. John McKay: Anyway, I just wanted to see whether that existed.

Mr. Christopherson seemed to be narrowing down the point here. You effectively want subsection 54(2) eliminated so that any collective agreement would be able to deal with matters governed by the staffing program. There must have been some rationale for that being there in the first place. You say that Deloitte and Touche gave you short shrift, that your employer doesn't seem to be overly enthusiastic about this issue, and that anytime you've gone to court they haven't been overly sympathetic to your situation. I don't know enough about collective bargaining or labour agreements to know why that would be there. What's the rationale for it being there in the first place?

Mr. John Gordon: As far as the rationale goes, I'm sure you would have to ask the CRA. But for our purposes, we think that they should be able to bargain it. When you bargain, you don't necessarily get what you want. But the fact of the matter is that once you do get the pieces in the collective agreement, you have the right to redress mechanisms that flow from the collective agreement. So right now you have the redress process, but there is no value to it because they can't impose it. And because of the lack of it being in a collective agreement, we have difficulty addressing it.

Hon. John McKay: Why would Deloitte not pick up on that in their review?

Ms. Michèle Demers: Who paid Deloitte?

Hon. John McKay: Yes, but presumably there is an issue. Presumably, the employer decided to pay the folks, and I'm assuming you had a chat with them at the point of their investigation. Is that fair?

Mrs. Betty Bannon: I was interviewed, yes, and Shane was, as well.

Hon. John McKay: Presumably, you made the point that you're making here today.

Mr. Shane O'Brien: Maybe I could answer that question for you. The mandate for Deloitte & Touche was actually set by the agency; they had a very narrow mandate. They were to look at the assessment of staffing and recourse as defined within the agency's policy.

In answer to your question about subsection 54(2), there was a rationale. I had raised this when we had preliminary discussions prior to the CCRA coming into being. Prior to the agency coming into being, with the proclamation of the act in 1999, we were governed by a piece of legislation called the Public Service Employment Act. There was a public service watchdog called the Public Service Commission, which monitored staffing throughout the public service to ensure that there was no favouritism, there was no nepotism, that there was no bias in the staffing system, and that it was a rules-based approach.

When they put in subsection 54(2), the agency also repealed the Public Service Employment Act. When the Public Service Employment Act was in previously, we never had the right to bargain it, but we had the watchdog when there were problems. Now the agency gets to act as accused, judge, and jury under their own process. They create their own process; they're their own watchdog; the complaints about their processes are heard and decided by their managers, or the reviewer is appointed by them. That's why that's in there.

The Chair: Thanks, Mr. O'Brien.

We'll go to Mr. St-Cyr.

[Translation]

Mr. Thierry St-Cyr: My question is for both groups of witnesses.

I would like to come back to the matter of centralization, be it in terms of staffing, operations or decision making. The answer that Ms. Bannon provided earlier was from a union point of view, and explained how employees would be affected.

Personally, I would like to know whether there will be repercussions in terms of customer service. Would there be a higher standard of customer service if offices, and decision-making powers, were decentralized? Will centralization affect regional jobs?

• (1725)

Mr. Réal Lamarche: This is a real problem for agency employees. We often hear them say that they are being prevented from providing services that they were previously able to offer. This clearly shows that there is a real risk of a decline in service standard. That is why we are against this change. Some reorganizations involve minor and logical change; however, this is an example of significant restructuring. Our members want to provide services to Canadians, and in order to do so, believe that power should remain with their individual offices. That is what the agency's employees want.

Mr. Thierry St-Cyr: Could you please tell us your view?

[English]

Mrs. Betty Bannon: Certainly the internal centralization of compensation would have no impact on the taxpayer.

On the call centres, whether I call Ottawa to get my question answered or whether I call Shawinigan I don't think has much bearing. However, what I heard from the previous group, and they

were right, is if you call on Tuesday the person you're talking to may be in Toronto, and when you call another time they may be in Vancouver. When there's a heavy volume, the calls bump to the next site, also because of the time zones. That could very well create a problem for the taxpayer.

[Translation]

Mr. Thierry St-Cyr: A lot has been said about the way in which the agency is managed. As regards the act, you have suggested that we strike one of the clauses dealing with negotiation. Do you have any other suggestions to make to the committee concerning changes that should or should not be made? I would like to hear from both groups.

Mr. Réal Lamarche: On the subject of amending the act, I would like to point out that, were it possible to negotiate staffing and recourse, we would at least be able to sit at the table to raise matters of concern and express the viewpoint of members of the institute. At the moment, no such dialogue occurs. Consultation amounts to sending us a piece of paper, but at the end of the day, the issues are not up for negotiation, and those people do exactly as they please.

We have a specific, more technical recommendation relating to what I call "The grandfather clause". In 1999, it was formerly recognized that all employees had the necessary skills to do their job. However, the skills profile pertaining to their position was not recognized. If, in 1999 the agency had recognized it, we would not be in this mess. Now, employees are having to again prove that they are qualified for their own job.

With a grandfather clause, the agency would be able to recognize that an employee satisfied the skills profile of his or her job. If somebody wished to seek a promotion, it would be a matter of assessing whether he or she had the relevant skills for the job in question. We made this recommendation in 1999, and have probably repeated it a dozen times a year since then. However, we have no such powers thus far. If the act were amended to allow staffing to be negotiated, we would be able to make headway on such matters and submit allegations.

At the moment, we have no power on matters relating to staffing and recourse decisions. Even managers agree with us that, in the majority of cases, the unwieldy nature of the process prevents them from appointing the best possible candidate. If we were granted certain rights, we would be able to sit at the negotiation table and be heard. I believe that we would be able to suggest constructive measures to fix the current chaos.

• (1730)

The Chair: Thank you.

I am sorry sir, but your time has expired.

Mr. Del Mastro.

[English]

Mr. Dean Del Mastro: Thank you, Mr. Chair.

Thank you, everyone, for coming today.

It's worth noting one of the things the CFIB just indicated in their presentation: with the creation of the CRA, people are actually a little bit more satisfied with the process, they're a little bit happier, and certainly your membership would share in the fact that people are a little bit more satisfied with the services they're receiving. So I commend your members for that.

I want to come back to this issue of recourse, because in your conclusion, the Deloitte & Touche review indicated the recourse process would be predicated on a system of fairness and natural justice. Are you indicating you don't believe those two principles exist right now?

Ms. Michèle Demers: Yes, we are indicating that, because it's too cozy, too in-house. We don't consider it an independent third-party review process, and it's not used consistently.

I would just like to add one thing that reaches out to a question asked previously. The CRA pride themselves on being trendsetters because they brought forward a new staffing regime, a new recourse regime, a new entity distinct from Treasury Board, although the financial tie is still very strong. They did make strides in establishing forums for consultation for employee representatives. They have tried to make the staffing more efficient, and it doesn't work.

If they want to continue with that impression of themselves—that they are trendsetters—they could go a step further and say, “Yes, we are a separate employer; why don't we establish a process by which we could bargain staffing and recourse?” They could be even more distinct from the rest of the public service.

Mr. Dean Del Mastro: Okay. Do you have anything you wanted to add, Ms. Bannon?

Mrs. Betty Bannon: Yes. On the recourse of being fair and transparent, I don't think it is, because in our minds it's not recourse at all. With any change to the act, rather than a deletion of subsection 54(2), I would prefer it to be amended to read that staffing and staffing recourse may be bargainable, rather than delete it and have it silent.

Mr. Dean Del Mastro: Just to foster my understanding, are most of the problems associated with recourse around promotions or appointments?

Mrs. Betty Bannon: Yes.

Mr. Dean Del Mastro: They are. Okay.

In your feeling, promotions are not being rewarded as dictated by the CRA.

Mrs. Betty Bannon: The recourse for those who are not...

When you qualify for a position you're in a pool, and there could be 30 people in that pool. Then they make selection criteria to pick people out of the pool to give them a job. Where we have the difficulty is, why did you pick that one and not that one? When you try to exercise your recourse rights, it doesn't always come out very clearly why that happened. Then nobody ends up being satisfied with it. That's the kind—

Mr. Dean Del Mastro: Would you prefer a system of seniority-based advancement?

Mrs. Betty Bannon: Well, that would be unheard of in the public service, but it's not a novel idea.

Mr. Shane O'Brien: In 1999 we advanced the position based on a level of not just seniority, but skills and seniority. If you look at most private sector unions, that's what they have. We were not even advocating a pure seniority, because we do recognize there has to be a level of competence to do the job, and from that the most senior person should be chosen.

I just want to add to Betty's previous comments. I'll give you a quick analogy—and very quick, because I know we're running out of time—to help you understand. There's not just one level of recourse; there are three levels of recourse in the agency.

At 11 o'clock this morning I attended one on a promotion in headquarters. Without getting into names, there was a case where three people were chosen and the person I was representing wasn't chosen for a job. We exercised recourse with the appropriate manager, and the first question we asked was, “What qualifications did you use to appoint them?” The answer we got was, “Additional qualifications linked to work-specific requirements.” We said, “What does that mean?” They said, “Well, we don't really know, but that's what human resources told us to say.” We said, “Can you tell us what qualifications those candidates had that my client didn't have?” “We can't discuss that because that's covered under the Privacy Act; we're not prepared to discuss it.”

When we asked some other questions, the meeting was terminated abruptly, and I was told to speak to human resources. That's recourse in the agency.

● (1735)

Mr. Dean Del Mastro: Thank you.

The Chair: Thank you very much, Mr. Del Mastro.

On behalf of the committee, I want to thank you all for being here and participating in this process. We appreciate your time, your presentations, and your responses to our questions. Thank you again.

The meeting is adjourned.

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