



House of Commons
CANADA

Standing Committee on Finance

FINA • NUMBER 014 • 1st SESSION • 39th PARLIAMENT

EVIDENCE

Wednesday, June 21, 2006

—
Chair

Mr. Brian Pallister

Also available on the Parliament of Canada Web Site at the following address:

<http://www.parl.gc.ca>

Standing Committee on Finance

Wednesday, June 21, 2006

• (1540)

[English]

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

We are meeting pursuant to Standing Order 108(2) and section 89 of the Canada Revenue Agency Act, the study of the first five years in statutory review of the act. We have the opportunity to continue that discussion today.

With us we have guests from the Certified General Accountants Association of Canada. I understand there will be some brief introductory comments, and we'll follow that with some questions for our witnesses.

Mr. Colby, would you like to proceed?

Mr. Everett Colby (Chair, Tax and Fiscal Policy Committee, Certified General Accountants Association of Canada): Thank you very much, Mr. Chairman and honourable members.

We welcome this committee's review of the CRA's mandate. From the agency's launch, CGA-Canada has played an active role in providing important input that has helped its administration of Canada's tax system. It's a task we embrace, as we believe we have something very unique and valuable to contribute to the further development and refinement of a fair and equitable tax system. After all, we are accountants.

At the time of its creation, the Canada Revenue Agency was assigned three very important objectives: one, to deliver better service to Canadian taxpayers and businesses; two, to achieve greater organizational effectiveness and efficiency; and three, to establish a closer partnership with the provinces and territories. We believe the agency has achieved some success in each of these, though we also see room for improvement.

We support the Public Policy Forum's view that a focus on improving service and reducing costs to the taxpaying public is the best catalyst for thinking about future directions. In its bid to better serve Canadians by becoming a customer-driven organization, we suggest the agency focus on strengthening its performance in four key areas.

Number one is rendering consistent, predictable decisions. Consistent decision-making is critical to a just and defensible application of tax laws and regulations. We're happy to provide examples of issues where you can have the same set of circumstances with the taxpayer but get a different result, depending on whether that taxpayer is in Halifax or Calgary.

Number two is delivering expertise and well-informed counsel. The reliability of information and that of its sources is a make-or-break issue for professional accountants. This speaks to the training requirements of agency personnel in the interest of delivering even-handed, well-informed information to clients. In this regard, we urge this committee to consider the benefits of maintaining the agency's current advisory committee structure.

I'm a member of the TPAC that was recently disbanded, whose purpose it is to provide ongoing information and advice on needs and interests specific to particular sector and client groups. One of the reasons we believe this is very important at a multitude of levels is that effective communication is two-way communication. So the use of these types of committees allows for more two-way communication between the, in a sense, administrators—the middlemen, us—the taxpaying public who communicate through us, and the representatives of CRA.

Number three is communicating effectively with Canadians. With 24 million tax filings each year, the task is daunting. The CRA is to be commended for its introduction of new technologies aimed at improving Canadians' access to better, more timely information. While we see this as a healthy start in the right direction, the implementation of cutting-edge, web-based information systems is undermined by the requirement to maintain antiquated paper-based records for auditing purposes, one that is costly, confusing, difficult to manage, and quite frankly, no longer necessary.

Number four is treating Canadians fairly and respectfully. As taxpayers, we're obligated under the law to report the truth about how much money we earn each year. In return, the taxman—in this case, the CRA—should treat us with the fairness and respect we've come to expect and deserve. We think the CRA's approach to risk assessment ought to better reflect that, in the real world, honest mistakes can and do happen.

An underlying principle of the Income Tax Act itself is self-assessment, and it is the job of the professional accountant to assume the burden of accountability on behalf of his or her clients.

We wanted to keep our comments brief so that it would give you more of an opportunity to ask questions, which we would be happy to answer, and I welcome those questions at this point.

• (1545)

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

To facilitate, given the shortage of time and the intensity of our agenda today, colleagues, I'm going to take the liberty of shortening the time for questions to allow more members to engage.

I'll ask Mr. McKay to begin. Five minutes, please.

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

Your item 3 has to do with paper-based records for auditing purposes. I can see that from the Revenue Agency's standpoint and I can also see it from the taxpayers' standpoint, but I don't see how you can change that. Tell me, what would it be? Would it be a change in regulations or a change in legislation with respect to the obligation of the taxpayer to hold those kinds of records in order to substantiate his or her return?

Mr. Everett Colby: Quite frankly, the legislation talks about records; it doesn't necessarily specify that they must be paper. But it is the position of the tax department, in almost every audit we encounter, that those records need to be paper-based to be produced—in most cases.

But look at today's business world. Let's take a self-employed individual. You have Bell Canada, you have your Internet, you have all of these offering you e-bills to try to help improve and make things more efficient. I still have to print those off in order to have a copy, just in case I get audited three years down the road. Why should it be a problem for me to maintain my business records in that electronic format, provided that this electronic format is readily readable and available to the auditor who comes in?

Hon. John McKay: Is that requirement simply a requirement of the agency, rather than a regulation in law?

Mr. Everett Colby: I'm not a lawyer, but my understanding of the section dealing with records is that it does not specify that they must be paper-based.

Hon. John McKay: So really, it's just a matter—

Mr. Everett Colby: It's policy.

Hon. John McKay: —of practice.

Mr. Everett Colby: Yes, "practice" is a better word.

Hon. John McKay: I take it that your group would recommend that practice, that there be an equivalency between electronic records and paper records.

Mr. Everett Colby: Absolutely. I would also suggest that from an efficiency and an effectiveness point of view, for example, we be allowed to submit receipts or tax slips.... You know, they've pushed the electronic filing a lot to try to make things easier for people. What we find in many instances is that there is a much higher percentage of returns that are reviewed—not audited, but reviewed—requesting receipts, which then requires the paper filing of those receipts. It leaves the accountants in a quandary. Do we charge our clients for the extra time we need to spend processing this for them? Do we leave it up to them, when they may not understand what's being asked? To allow us to submit those T3 or T4 or whatever kind of slips they may be looking for, there should be a method for us to submit them electronically.

To give you an example, at the tax professionals advisory committee meeting last year in November, there was a huge issue about the authorization forms, which the CRA needs in order to disclose information to an adviser. It's a matter of privacy. There are huge—I mean huge—problems in the administration of those, because they're all paper-based. So we asked, because they require a

signature, if they could be submitted electronically, perhaps in PDF format. We were told no, it's not a secure basis. Within 10 days of that meeting, there was an article on how the Internal Revenue Service has now gone to allowing PDF file attachments for certain types of documents and forms.

Hon. John McKay: This is the U.S. IRS.

Mr. Everett Colby: It's the U.S. Internal Revenue Service. Why would it be okay there and not here?

• (1550)

Hon. John McKay: Those are essentially operational issues that would not require regulatory.... But it may be appropriate for this committee to comment on this in its report.

Mr. Everett Colby: I believe a comment would be good, because I firmly believe that part of the CRA's job in administering the tax act is to ensure that the intent is carried out, and if this committee or the government expresses a desired intention, then they should be mindful of that intention in the way they administer their policies and practices.

[*Translation*]

The Chair: Thank you.

You have five minutes, Mr. Bouchard.

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

Thank you for your presentation and for appearing before us today.

I think you said that taxpayers or people dealing with the Canada Revenue Agency get different information depending on whether they deal with the Halifax office or a different office. That was my initial comment.

Could this be attributable to the fact that there are so many regulations and that income tax is such a complex matter? Have you noted over the years a lessening of the efforts to reduce regulations and the complexity of the paper work required of taxpayers?

[*English*]

Mr. Everett Colby: That's a very loaded question. To answer your question in light of the different decisions that might be rendered in one jurisdiction or another, I do not believe in my experience and the experience of practitioners that I have discussed this with across the country that that is as a result of regulation. We believe it is as a result of inefficient communication within the agency itself. Realistically, given the same set of factors, the same taxpayers, and the same circumstances, the decision on something such as whether they are self-employed or an employee should be the same no matter where they live in Canada.

What we find is that there is inconsistency in applying the typical criteria, and part of that, we believe, based on feedback we've gotten from the department itself at some of these committees, is that auditors in Calgary, for instance, rarely have any opportunity to discuss these matters with auditors in Halifax. There don't seem to be the types of team meetings amongst the groups that would allow for discussion of these issues to make sure that everybody is on the same line with that.

As to your question about complexity of the regulations in the Income Tax Act, we have in our budget submissions for the last five years requesting that there be a thorough look at a structural reform of the Income Tax Act, because as we mentioned, people are willing and happy to comply when the legislation is “predictable and reliable”.

What we seem to be seeing is that it has gotten so complex that rules may be introduced to plug a little hole here in the dam, but doing so causes water to pop out over there, and then they plug there. So it seems more of a patchwork approach, rather than a consistent approach to try to ensure proper compliance with the act as a whole.

[*Translation*]

Mr. Robert Carrier (Alfred-Pellan, BQ): Good afternoon, sir. I will be asking the next question.

In your brief, you mention that the Income Tax Act is very complex. I think this is a most appropriate comment. I look after my brother-in-law's affairs. He works outside of Canada and may be exempt from paying income tax on the work he does outside the country. Communications with the Canada Revenue Agency are very complex. I have to begin over again every year. Consequently, I am familiar with the complexity and the need for people to turn to accounting firms such as yours.

Are you not in somewhat of a conflict of interest situation with respect to the complexity of the act, because, ultimately, the more complex the act is, the more contracts you get from the private sector?

• (1555)

[*English*]

Mr. Everett Colby: To answer from the point of view of complexity and the potential for conflict, the government of the day, approximately six years ago, introduced what is known as the civil penalties legislation, which places a direct financial risk and burden on me as a tax professional to ensure that my clients are in fact complying.

In that respect, it can place me in a conflict, because if the Canada Revenue Agency decides to reassess that taxpayer, and they come back to me, whose interest am I going to look to protect? My overriding concern is to protect the client's interest, but I now indirectly have to also be worried about my own interest, because a fine can be levied against me. So in that respect, the more complex it becomes, the more difficult it becomes for me, as a professional who deals with it on a daily basis, to keep up with the right way of doing things.

My colleague would like to answer that from a different perspective.

The Chair: I'm sorry, we're out of time on this round, but feel free to work your response into a subsequent question.

Mr. Dykstra, to continue, you have five minutes.

Mr. Rick Dykstra (St. Catharines, CPC): Thank you, Mr. Chairman. I'll jump right in.

Thanks for coming.

Regarding your first recommendation, how have they not been rendering consistent, predictable decisions up until this point?

Mr. Everett Colby: How have they not done so?

Mr. Rick Dykstra: Yes. “Rendering consistent, predictable decisions. Consistent decision-making is critical to a just, defensible application of tax laws and regulations.”

Mr. Everett Colby: If you want specifics, I'm not sure if I can provide them, due to the confidentiality and privacy laws we're now all subject to.

Our firm has offices across Canada, and we compare notes on what people are experiencing from an audit perspective. We see this a lot when it comes to the rather contentious issue of employee versus self-employed—independent contractors. It's not a clearly defined decision to be made. When given a similar set of circumstances, you would expect that the decision would be similar no matter where you were. But in comparing our own cases that we have dealt with in different jurisdictions, we have seen, based on similar circumstances, that we're getting different decisions in Calgary, Toronto, Halifax, and Montreal. So there's a lack of consistency there.

Mr. Rick Dykstra: One of the points you make with respect to number two is that there has been some consistency there. You've probably had a chance to review some of the Auditor General's recommendations. You point out—she did as well in her report when she was here on Monday to follow up on her December 2002 report—that the issue of personnel needs to be worked through. There seems to be an inconsistency that they're slowly working on, but from your perspective, how has it improved over the years, is there potential, and how would they improve?

Mr. Everett Colby: That's a somewhat difficult question to answer, because there are many different levels at which personnel operate.

I can say from personal experience that service from the front-line people when you call the 1-800 number is worse than it was before. But from a district manager level on up, it has perhaps become better, in that these people are actually now willing to speak with you if you request that the issue be elevated. Combine that with these advisory committees, where there has actually been open communication and sharing of ideas, and it's been quite refreshing. Whether we actually believe they're listening to everything we say might be a different story, but at least it allows for that communication and sharing of ideas.

There's another element I'd like to bring out on that consistency. This is something we are seeing more and more of. I'm not sure if it's a personnel issue or a practice issue, but people need this kind of reliability on the decisions. We're finding now that issues of objections and appeals that used to take three or four months, and then the taxpayer could move on, are now taking 18 and 24 months. It doesn't put the taxpayer in a position where they can even really comply with the current year, because it depends on the decision rendered on a previous appeal. So from an internal point of view, I don't know whether that's a personnel problem or a policy problem.

•(1600)

Mr. Rick Dykstra: In your fourth recommendation you say, “the CRA’s approach to risk management ought to better reflect that in the real world, honest mistakes can and do happen”. It’s a good recommendation for all of us, regardless of what industry we’re in. How would you implement that type of recommendation?

Mr. Everett Colby: My understanding is that they have attempted to develop a culture where these are not power brokers. When an auditor goes to a client they should treat them with respect; they’re either a business person or an individual. Unfortunately, in an organization as large as CRA with the many staff they have, promoting that culture has not yet filtered all the way through.

I’m not extremely familiar with their own internal communication strategies, how they are trying to enforce them, or whether people’s annual reviews and so forth are based in part on feedback provided in that regard. I would suggest that if your business model is based on client-driven service, you should be assessing what those people are doing, and not standing for anything less than the best. We’re not getting that on a consistent basis at this point.

The Chair: Thank you, Mr. Dykstra.

Mr. Christopherson is next for five minutes, sir.

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

As you know, the formal purpose of this committee hearing is to follow a statutory requirement to do a review of the act. So straight out, do you have any actual recommendations per se that apply to the act itself that you’d recommend we look at for making changes?

Mr. Everett Colby: Absolutely.

Mr. David Christopherson: Okay, you’ll be the first.

Mr. Everett Colby: There is an intent, both stated and implied, that CRA sees itself as becoming the sole tax-collecting authority for all forms of tax, over whatever period—five years or ten. I would suggest that this government limit the ability to do that, which I believe is allowed under the act.

When we have inconsistent decision-making now and not a complete level playing field with respect to the taxpayer and everything else, the thought of having an auditor come in to try to assess me on my property tax, my sales tax, my GST, my income tax, and whatever other tax there may be down the road.... That person cannot have expertise in all of those areas. I think it will actually be like the NHL expanding: you’re going to water down the talent. You’re therefore going to lose the effectiveness of some really good auditors who are GST experts, because they’re going to waste time dealing with such things as sales tax or income tax, in areas where they don’t have expertise.

Mr. David Christopherson: What I’ll do is maybe leave it to the analyst to bring forward where that recommendation would actually apply in here—unless you have a hard recommendation to make, with actual language, which I’m not sensing you have.

Ms. Carole Presseault (Vice-President, Government and Regulatory Affairs, Certified General Accountants Association of Canada): No, we don’t.

I have to say that as a national association we have 65,000 members, many on both sides of the income tax equation, many of them auditors at CRA. We have thousands and thousands of members, as we have thousands and thousands of practitioners, so for a national association it’s sort of talking out of both sides of our mouths or staying comfortably on the fence.

One thing these hearings have allowed—and we’re really pleased to be able to participate in them—is that the five-year review has been important to members on both sides and important to us as a professional association. Some of the questions you’ve posed are really important and applicable to the legislation. It is a good opportunity for us to engage our members in discussion and to look at their mandate and see whether in fact they’re doing what they’re setting out to do.

I look at it as a further method of accountability, if you wish.

Mr. David Christopherson: Thank you.

We had a presentation from the Canadian Federation of Independent Business. Mr. Colby, you’ve already touched on this, so you may just be expanding on it, but in their report they gave us... well, they gave us a lot of information, but two bits I want to refer to.

For one thing, they referred to how business owners viewed this service, from what it used to be to what it is. When they did it for 2001, they found that 5% thought the service was better; 59% said the same; 11% thought it was worse; and 25% didn’t know. In 2004, it actually looks better, from the review point of view, in that 11% felt the service was better; 62% the same; 13% worse; but only 14% didn’t know. So the gain went into those who thought it was better and a little bit to those who thought it was about the same.

Then they did another one. It was the same question, and the same two years, but it refers to tax practitioners, which would be you, of course. What I’m asking is whether this matches up with what you think, just to see whether we have consistency here.

In 2001, they showed that among tax practitioners—this was interviewing you, folks—11% thought it was better; 49% the same; 38% thought it was worse; 2% didn’t know. In 2004, it went to 27% who thought it was better; then, down marginally by two points, 47% the same; but only 25%—not that this is a great number, but it’s better than 38%—thought it was worse, so the number of those who think it’s bad is getting smaller, and we’re going in the right direction; and a marginal number didn’t know.

Does that reflect what you think your members might say?

•(1605)

Ms. Carole Presseault: Actually, we used that data when we questioned. We held a number of focus groups with our members, our tax practitioners, and again, I have to talk about that questioning of the membership. It does coincide. There are a lot of complaints; because it is the taxman, there are a lot of complaints. But there are a few key messages that came out of those discussions. CRA is out there—there's a lot of outreach—and members feel very appreciative that they are talking with them and trying to seek their views on how to improve services. So that may be on that side.

I'm not saying all is well—and Mr. Colby has that front-line experience—but I'm saying yes, that would pretty much compare with what we heard through these focus groups.

The Chair: Thank you.

I have three members in the next six minutes who would like to ask questions. My basic math skills tell me that's two minutes each.

Mr. Pacetti, to begin.

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

Hello, Mr. Colby and Ms. Presseault.

I have a quick question. I have to state that I'm a CGA. I have a lot of dealings with the CRA, and I have my own personal opinion.

I want to understand who you're representing when you say there are 65,000 members. I understand there are a lot of CGAs who do work for Revenue Canada and that there are a lot who are tax practitioners. What percentage are we talking about, and who are we speaking for?

We also had the CFIB, and they were talking to accountants. I'm wondering if you also spoke to the CFIB. This is to try to put into perspective how many of your members are actually involved in some of the comments that were in your brief. I know it's a tough question.

I have my own personal opinion about CRA. I'm not sure if everybody does, but...

Mr. Everett Colby: We only have two minutes. I'll try to answer in the 30 seconds that we have left.

It depends on the question. There are some questions that would be industry-related. As far as personnel are concerned, there are a lot of CGAs and other professionals employed by CRA. That's been a positive thing with the changeover; it has allowed them to retain more professional talent.

So when we say things may not all be rosy, it's not necessarily from the skill level of the individuals, it may be more from a procedural level within the organization, in offering them improved training and so forth. Our comments, in many respects, are representing a vast majority of the membership.

Mr. Massimo Pacetti: When you had the questionnaire, did it say, do you work for CRA, or are you a tax practitioner, and what are your problems? How do you get a feeling for what's going on out there? With 65,000 members, that's a pretty big membership group.

I know it's a tough question.

The Chair: His time has elapsed—

Ms. Carole Presseault: Well, how do I answer? I hope we've run out of time. That is a big question.

Mr. Everett Colby: To give an example, we have a discussion list in Ontario that has over 1,000 members on it, most of whom are practitioners. So when I actually see the question and I say go forth and get feedback and then they come back, I can only assume it's a representative sample of the membership.

Mr. Massimo Pacetti: Thank you.

The Chair: We'll continue with a brief question from Monsieur Bouchard, *s'il vous plaît*.

[Translation]

Mr. Robert Bouchard: Thank you, Mr. Chairman.

I would like to come back to the subject I raised earlier. Would it not be advisable to recommend improving or simplifying the entire income tax return process? That could have been part of your presentation. I would like to hear your opinion on that.

•(1610)

Ms. Carole Presseault: Before asking your question, you spoke about the conflict of interest facing members of our association in that they provide professional service to their clients, and benefit from a very complex tax system. Mr. Colby referred to this as well. However, as a professional association, we do have some responsibility with respect to the public interest. That is the very basis of a professional association.

In all the pre-budget presentations we have made in the last five years — and Mr. Colby referred to them — we recommended a comprehensive reform of the Canadian tax system. That is not the subject of your proceedings today, but we very much look forward to appearing before you again as part of the pre-budget consultations so that we can make this recommendation again this year. The system is very complex, and that is not in the public interest.

[English]

The Chair: *Merci*.

Monsieur Turner, you have a couple of minutes, sir.

Hon. Garth Turner (Halton, CPC): Can I ask you quickly, when you talked a bit about your dual role, serving your client and also serving CRA, what exactly are you required to do in order to meet the requirements of CRA?

I would ask that you give a really basic answer, because I have a follow-up.

Mr. Everett Colby: In 1989 I moved to Canada. In 1990 I joined the CGA program and I became an accountant. In 1991 I became a quasi-tax collector, with the introduction of the GST. In 1998 I became a quasi-auditor for the government, due to the civil penalties and having to double-check everything my client does. In 1999 I became a member of the RCMP, with the money laundering issue.

I don't know if I'm James Bond or what, but I really don't feel like an accountant anymore. While there's no direct legislative authority that says I have to act in a particular way, the penalty situations and the professional obligations I have call for me to ensure that our clients, no matter who they are or where they are, comply with the act. Maintaining a Westminster principle, they do have a right to structure their affairs so as to pay the least amount possible.

Hon. Garth Turner: All right. So I pay you \$2,000 to do my taxes; I get audited, and I'm coming to you and saying, "Everett, I'm in a tough place here." Who do you serve?

Mr. Everett Colby: I serve you.

Hon. Garth Turner: But you also serve the CRA at the same time, right?

Mr. Everett Colby: Serving the CRA in terms of the civil penalties means that if I have done my job properly in my initial service to you, then I'm not going to be concerned about being assessed with civil penalties. But if it is a grey area, a matter that's subject to judgment, and the CRA disagrees with us, that's what could potentially put me in a conflict of whether I'm serving the CRA or my client.

Hon. Garth Turner: Do you believe that this committee, or somebody, should be looking at the potential conflict of interest situation in which our legislation has effectively put all the people in your profession, or is everything hunky-dory?

Mr. Everett Colby: I was actually the expert witness for our association in dealing with civil penalties, and we hashed that out for months. We're beyond that; we've changed our code of conduct to allow us to try to avoid those situations, but that's an inevitability.

The Chair: Thank you.

I'm sorry to interrupt this line of questioning; it's interesting.

Mr. Colby, I'll give you just a couple of minutes. If you'd like to make some brief closing comments, you're welcome to.

Mr. Everett Colby: We don't want our comments to be misconstrued that any particular individuals, whether members of our profession or not, are not doing their job. My impression, when reviewing the CRA Act and what it tried to accomplish for the agency, in becoming an agency, is that I think there's a lot of area for improvement. They have done some good things. Their introduction of a lot of the electronic-based things is the way business is moving. I call that window dressing. Now they need to start to look at the infrastructure and the foundation that supports all that, and make sure everything is synchronized, because that seems to be where there are difficulties and problems, not just up and down but across the board from area to area.

The Chair: Thank you very much for being here today. I appreciate your responses, and your presentation, and your time.

We'll now ask the representatives from the CRA if they would come forward and we'll continue our discussions.

Thank you, again.

Mr. Everett Colby: Thank you.

The Chair: While the CRA officials are coming forward, I'll just offer an explanation to committee members. You'll recall that in the CRA's initial testimony they were asked some questions by some of

the committee members. They did provide me with a response, I think on Monday or Tuesday, which I did not forward a copy of to you because I assumed they had also forwarded it to the clerk. However, such was not the case. We'll get that translated and get it to you as soon as possible.

I'll also make a point to Mr. Dorais that in future, when the committee requests information from CRA, we would like it to go through to the committee clerk directly, as opposed to through the chair. You can send me a copy—I much appreciate it—but we want the information to go to the clerk.

• (1615)

Mr. Michel Dorais (Commissioner, Canada Revenue Agency): Absolutely.

The Chair: If you're ready, Mr. Dorais, I welcome you again. Thank you for being here with your officials. We appreciate your being here.

If you would like to make some introductory comments, please proceed.

Mr. Michel Dorais: Thank you very much, Mr. Chairman.

With your permission, I had some prepared comments, which I would like to table with the committee, but rather than speak from that, I'd rather speak from the heart and be very brief with the committee and tell you a few things at the outset of this hearing.

The agency, which was created in 1999, is truly unique. I believe it's at the cutting edge of public sector governance. I base that comment on 30 years of public service in 13 departments and agencies and two levels of government. I think this experiment, which brings into the public sector the wisdom and the business acumen of a corporate board and marries it to political direction, is absolutely unique. The agency is strictly operational; we hardly do any policy, we administer the policies of government clients of other departments. Our value proposition is that we can, and we're attempting to, streamline complex, large-volume operations for the benefit of taxpayers, business, and client governments. We also try to safeguard the integrity of the tax system. We think we can do that faster, cheaper, and more simply than anybody else.

[Translation]

It is true that it is an major challenge to be accountable to both a minister and a board of management and to government clients — we have 126 of them — and to taxpayers and also to the beneficiaries of the service.

[English]

This is a challenge I would like to share with the 44,000 employees with whom I have the privilege of working.

[Translation]

I would like to pay tribute to them publically today.

[English]

We're a young organization, and we're very far from perfect. You heard the testimonies, but we all share the same desire to make this model of governance work and prove that there's more than one way to manage public institutions. We'd like to believe that we could be allowed a little more time to pursue the experiment and that we would be allowed to continue to do things differently, so that we will continue to produce excellent results and do so in a transparent, professional way.

Thank you, Mr. Chairman.

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

We'll continue with the five-minute rounds to allow more members to participate, I hope.

We'll go first to Mr. Pacetti.

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

I guess everybody knows that the first question is going to be about the article in *The Globe and Mail* today regarding the GST and the fact that there's been no communication to the clients regarding the reduction in the GST rate. I'd like to hear your comments on that, quickly if you please, because I have other questions.

Mr. Michel Dorais: To answer quickly, a number of measures were announced in the budget, and they were all implemented. All the acts of Parliament were implemented, and there is no special communication directed at one of these measures, with the exception that we worked with third parties and distributed information to business. It's available on our website and through our phone lines.

Mr. Massimo Pacetti: I can help you with that. You do send out notices and GST returns. I think a little insert is not something that is going to require a lot of work. I don't understand why that couldn't have been done.

It leads me to other questions, because we're sort of recapping here and trying to close the circle on some of the other items.

We don't seem to have a real issue, or we haven't heard major issues as to why we should renew the mandate. But we have all kinds of other issues where we had the Auditor General, we had problems with the unions, and we had problems with some of the professionals who came and testified.

At what point are we going to rectify some of these problems? The Auditor General says, well, there's been some good improvement, but what was happening before? I don't understand. It's not as though it was a brand new company and we just incorporated five years ago. This was a continuation of a department that turned into an agency. Everybody we've heard seems to have one type of problem or not, and now we see it again; this is the proof. It's something so simple, where you're trying to inform the public, and the public is not being informed.

I'm not really sure if this is the venue where we should be talking about where the CRA is going. It's part of the mandate, so do we accept the renewal of the CRA mandate?

• (1620)

Mr. Michel Dorais: Personally, Mr. Chairman, I think with 25 million taxpayers and 44,000 people, there's bound to be problems.

It's our job to manage the issues. I think what the committee may wish to look at is whether there has been improvement in the level of service and in the agency's efficiency.

I was listening to the previous witness, and 86% of the professional auditors in the last survey we did said that the service had improved—or was good or acceptable, I'm sorry. There is progress. We're progressing in the right direction, as one of the members said. I think this is what the committee should be looking at, not the individual problems.

Mr. Massimo Pacetti: How do we evaluate this? Do we redo this again next year? Or is this just an internal CRA issue, not necessarily a problem, but a goal that we should set and say, okay, we're going to improve collections, or collections was an issue last week, and the Auditor General is going to audit your department based on human resources; or based on some of the unions having a problem, for example with the closing of service counters; or based on some of the others, such as the professional unions having a problem with staffing, promotion, and training?

How do we do this? Do we write a report or do you come back to us? I'd like to close the circle somehow and say, fine, we'll renew the mandate of the CRA, we think it's fine, and there is going to be an improvement. But you have to help us, because we're not hearing the same thing, and everybody who appeared before the committee on this issue had a problem. Do we put it on the shelf and say, okay, fine, we'll improve next year, or five years from now?

Mr. Michel Dorais: There are a number of things in the question, Mr. Chairman.

We do performance reports every year, and the Auditor General has qualified those performance reports as some of the best that are tabled in Parliament. So this is one piece of information, and Parliament obviously calls us regularly to examine the performance.

The constitutional legislation of an organization is the structure, the backbone, on to which you build. Our suggestion has been that changing the culture of an organization of 45,000 people is a major undertaking. The five first years were especially *bousculés* by an organizational change when customs left in year three of the organization. We are suggesting that another five years would be extremely useful for us to demonstrate progress in the performance.

[Translation]

The Chair: You have five minutes, Mr. Bouchard.

Mr. Robert Bouchard: Thank you for your presentation and for appearing before us today, Mr. Dorais.

There are two taxation data centres in Quebec: one in Shawinigan and one in Jonquière. People who work there tell me that the agency has starting centralizing its services and as a result some services that were formerly offered in Shawinigan or Jonquière will be offered in Ottawa and Winnipeg, and this will significantly reduce the number of employees in these regions.

Have you considered a decentralized model that would be just as efficient and economical? At the moment, there seems to be just one model, the centralizing one, which would reduce the number of employees in the regions and increase the numbers in Winnipeg and Ottawa.

•(1625)

Mr. Michel Dorais: There is no centralization model. What is happening is that there are some movements in the way in which the work is organized. You are probably referring to the consolidation of pay and compensation services in Winnipeg and Ottawa. We combined a number of former compensation sites and concentrated them in these two locations.

However, other work is underway to identify which activities could be transferred from Ottawa to some of the regions. So there are transfers in both directions. Recently, we sent an entire appeal section to the Sudbury Tax Centre. Over the years, we will have to adapt, both in the regions and here at the head office, to a different distribution of the work in the interest of efficiency.

Mr. Robert Bouchard: I would like to ask you another question.

You promote four values with your employees and your clients. I would like to ask about the value of respect.

This is what you say:

Respect is the basis for our dealings with employees, colleagues, and clients. It means being sensitive and responsive to the rights of individuals.

There is a petition circulating at the moment. I have received some cards telling me that in order to meet with an officer at the Revenue Agency, people have to make an appointment. People who do not make an appointment have to wait. In some cases, they're not even able to meet with an officer.

Does this approach seem to be in keeping with the value of respect that is one of the four values the agency is seeking to promote?

Mr. Michel Dorais: I think this approach actually proves our respect for taxpayers. That is a very important value. You refer to a change in procedure. We made the following decision. A taxpayer who goes into an office to discuss a problem and has to wait 30 minutes to see someone who cannot help him because he's not familiar with the particular area at issue, is badly served in our view. A taxpayer who telephones, explains his or her problem, makes an appointment to talk to an officer who can provide proper service is better served.

In our opinion, to a large extent, this is a question of respect.

Mr. Robert Bouchard: You have two taxation data centres in Quebec. The one located in Shawinigan is bilingual; the one in Jonquière is French-speaking.

In the case of Jonquière, for example, is there a procedure for processing not only income tax returns in French, but also as in English? Is there a procedure to do that? What would have to happen for this to be possible?

Mr. Michel Dorais: You have caught me somewhat off guard. I thought returns were processed in both official languages in Jonquière as well.

Mr. Robert Bouchard: According to the information I have, that is only the case in Shawinigan. If it is also now the case in Jonquière, that is recent.

Mr. Michel Dorais: Mr. Chairman, I would like to come back with the answer to that question later on, unless one of my colleagues has that information.

[English]

I'm sorry. We can come back with the answer.

The Chair: That will be best, I think.

I'll just intervene here quickly, colleagues. This is, I hope, an indication of the improved level of service at the CRA: we now have available to you copies of the responses to the questions you asked the other day.

We'll continue with Mr. Del Mastro. You have five minutes, sir.

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

In reviewing the survey by the CFIB, I found something particularly troubling. I asked the same question of the Auditor General and I'll ask it to you now. One of the things indicated was that their members are seeing an increased number of audits, and that these audits are lasting longer; they're seeing auditors more frequently, and the duration of the audits is much longer.

Is this harassment?

•(1630)

Mr. Michel Dorais: I certainly hope it is not. I'm not aware that the audits are actually taking longer or—

Mr. Dean Del Mastro: They're saying it's gone up to about nine days.

Mr. Michel Dorais: I will ask Mr. Baker to comment on that.

Mr. William Baker (Deputy Commissioner and Chief Operating Officer, Canada Revenue Agency): I've seen that result as well; the number of hours has increased for small and medium-sized businesses. We haven't been provided by the CFIB, to my knowledge, with any breakdown of the causes for that, but I could suggest a couple of things.

One is that there has been a tendency over the last while in the Revenue Agency to do what we call more full and complete audits of an organization, as opposed to just selective audits of certain issues. That way we get a better handle on the compliance issues, but as a consequence these audits could take a little bit longer.

We've also had a practice in the agency for the last number of years of providing the owner with more explanation behind the audit findings, because if the owner can understand why adjustments are being made or why there's a reassessment, it simplifies everything after the fact, including reducing the number of objections and appeals and what have you.

But at this point, frankly, I'm speculating, because we haven't been able to look behind that number to determine the causes.

Mr. Dean Del Mastro: The review and the information provided by the Auditor General indicate that revenues have escalated by 40% or some percentage in the mid-forties, but bad debts have actually escalated by about 85%. To me that indicates we may be putting too much resources into one area and not enough into another. Maybe we're not calculating risk adequately, or the way we're screening for risk may not be in line. Perhaps if we stopped auditing quite as much or for as long, we might have more resources to prevent the escalation of bad debts.

Mr. Michel Dorais: The member made reference to the balancing act that we constantly do. If we reduce auditing to increase collection, we'll reduce the assessment number. We may be able to collect more money; we always have to balance a finite number of dollars that we have available.

The AG raised some issues with collecting. We've taken note of the issue. We've already started acting upon it. Hopefully we'll be able to demonstrate some progress when she comes back to examine what we've done.

Mr. Dean Del Mastro: Finally, one of the things brought forward was the operating costs of the CRA in contrast to the total revenues it's bringing in. It's about \$3 billion in costs to \$300 billion in revenue, so it would appear to be about a 1% administration fee.

One of the things the Auditor General indicated, however, is that a fair amount of that revenue comes in with no effort on behalf of the department, or minimal effort, because of electronic filing. Do you have a breakdown of how much of the \$300 billion in revenue is actually labour-intensive and how much of it is coming in electronically, by payroll deductions and so forth?

Mr. Michel Dorais: Unless my colleagues prove me wrong, I don't think we have that breakdown, for one very simple reason. We have to be careful of those aggregate numbers because we administer benefits as well. We administer various tax programs for provinces and for the federal government. We collect for various institutions. So all this is lumped into one figure. The \$3.7 billion we spend each year is not spent only collecting taxes; it's spent on a number of things.

Mr. Dean Del Mastro: The reason I'm asking is that, first of all, I believe the CRA is probably too new an institution for us to really judge or come down too hard on. I think we need to take a little longer view. We're all looking to see improvement from the agency, and hopefully this is a viable option for other departments. I think it's kind of a prototype.

But one of the things I would like to see is whether we could get an indication, for our actual labour-intensive revenues, of what our overhead is on that percentage. Is it 5%? Is it 10%? If we move forward with additional electronic information, will we be able to improve upon that? Certainly, if that kind of information were available in the next review, we could say we've improved or we haven't.

Mr. Michel Dorais: We can provide some statistics. In fact, most recently our colleague Mr. Ralston, the chief financial officer, has been working very hard developing a methodology for unit costs that we can compare to see what the variation is in the unit costs. So we'll be able to provide some of that information.

•(1635)

Mr. Dean Del Mastro: Okay.

The Chair: I know the committee will appreciate that information.

We'll move to Mr. Christopherson now, for five minutes.

Mr. David Christopherson: Thanks, Chair. I appreciate that.

Hello again. It's good to see you all.

You don't have any actual recommendations for the bill itself, do you?

Mr. Michel Dorais: No. Our suggestion is that no amendment be made at this time, but that a further review be done four years from now.

Mr. David Christopherson: Right, and the position of the board is the same, I gather.

Mr. Michel Dorais: It's the same. The position of the board is the same.

Mr. David Christopherson: I would as much put this to the chair as I would to the representatives, because I don't know the answer.

There is a board of directors with clear responsibilities, as subsection 31(1) of the act says: "The Board is responsible for overseeing the organization and administration of the Agency and the management of its resources, services, property, personnel and contracts." I appreciate very much that we have the hired staff, the top staff, here. But, Chair, it would seem to me that we'd also want to hear from those who are maybe once removed from the actual administration of the agency and who have oversight responsibilities, although I would accept that, at this point in the process, if you're not recommending any changes, neither are they.

So I won't make a big deal out of it. It may not be crucial. But I certainly think it's something to consider for the next time, that the board maybe makes their own presentation, because their view of things is different from that of the staff. All of us who have served on community boards would understand that.

So I would just leave that there, unless you have any response as to why. Maybe there's a structural reason that we didn't bring in the board.

The Chair: There's no particular structural reason, and I'll take your suggestions as advice.

Proceed with your questions.

Mr. David Christopherson: Well, if we have time, maybe have them come, even the chair alone.

This is my next question. The unions have talked about problems with the staffing issue. And we just heard from the CGA, who talked about their concern that some of the improvements they're seeing at the senior levels are not working their way down. I know we've reviewed, either at this committee or the other one, how a change in direction in terms of how managers are relating to their staff can often make a huge difference in this regard. We did hear, very seriously, that there are real staffing problems around the process. And subsection 54(2) of the act disallows the union to negotiate, within the collective agreement with the agency, things that pertain to staffing.

I had mentioned my own background as a union steward and the local union president years ago. A lot of it was around staffing—bumping, promotions, bidding on jobs, all of that. Does it not make sense to you, because you seem to want to fix things on the front line, that you would have the opportunity to be responsible for negotiating, with the unions, processes that both of you can buy into rather than, right now, the union feeling very much that they're not being listened to and that there's no mechanism for them?

So I give you that chance. I know I'm out of time.

Mr. Michel Dorais: Staffing in the act was recognized and preserved as a management right, as it is in the public service generally. This is not something that is at the negotiating table. For the time being, it has led us to the implementation of a very different staffing system. That has its problems, but it is also at the forefront of staffing systems in public sectors. It's called a competency-based management system, and the committee heard about it from the unions. We're working with the unions in committees to improve it. But in the end, in the act, it is the prerogative of management to decide which system will be put in place.

I would recommend that we leave it at this until we make it work with the unions.

Mr. David Christopherson: My difficulty, though, is that the unions are saying they've taken it about as far as it can go and they really need this structural change to reach that level. If we leave it the way it is, then this issue is going to fester.

I appreciate that your intentions are good, and I think you really want to come to a resolution. But when you don't have the authority to negotiate the very things that are causing the greatest consternation from your own staff, isn't it a bit of an impediment for you?

I realize you're saying that you're going to make this other thing work, but it seems that you're kind of pushing it on them and it's not working. We're hearing from the other end of the process, the users of the system and the professionals, that they feel they're not getting what they would like to see.

I'm linking the two. Don't you agree that there's some linkage?

Mr. Michel Dorais: I don't think the unions are saying that they've pushed it as far as possible. They've been working with us and the agency committee on competency-based staffing systems, which will table a report this summer. Management and the unions are anxiously expecting that report, and hopefully it will have recommendations for improving the process that will satisfy both sides.

• (1640)

The Chair: Thank you, Mr. Christopherson.

We'll now move to Mr. Savage for five minutes.

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

It's nice to see you again, Mr. Dorais, and the rest of the panel.

We've heard from a number of people, and it seems that in general people are seeing improvement in the service. There are issues that people have raised.

I think the Auditor General in essence told us that she's generally pleased with what she has seen from the audits she has done. She's pleased with the board of management, the audit committee, and the improving relationship with the provinces. She uses the term "year-over-year improvement" in the financial information. It seems to me that progress is being made. I congratulate you on that.

I want to follow up on this, but let me first ask this question. Have you seen the report that the CFIB did for the committee? One of the recommendations they made suggested that the CRA should adopt a more proactive approach to communicating changes in tax policy affecting SMEs. It goes to the issue Mr. Pacetti referenced earlier today, that merchants are left in the dark on the GST cut.

I'd like to probe that again and then come back to a different question.

Does this give you cause for concern, or does it make you think there might be something you can do in the limited time we have before the change comes about?

Mr. Michel Dorais: I think that generally speaking we're always for improved information

In the particular case of the CFIB, we sat down with them and worked on a document, which they distributed to all their members across the country. It outlined the changes in the various responsibilities that were coming out of those particular budget measures.

We have a very close relationship with that third party. I think their members, which include a large number of businesses, have been quite well informed as a result of that. It's probably the most efficient way to go.

Mr. Michael Savage: Last week we heard from Mr. Whyte of CFIB, and he indicated that he thought he had a pretty good relationship with the agency. Today he says that, in terms of this lack of notice, it's outrageous, which is language that parliamentarians usually use when something is mildly outrageous.

Do you have a comment on that?

Mr. Michel Dorais: No, I don't have a different comment on that, other than to say the budget measures are highly publicized around the country when the budget comes out, and this particular one was more than highly publicized across the country. On our website and through our phone lines, the implications of the measures are very well explained, and third parties have taken steps with us to inform people.

I'm not sure what more we could do at this stage.

Mr. Michael Savage: Okay. Let me go back.

The Chair: Mr. Baker would like to respond to your previous question.

Mr. William Baker: Thank you, Mr. Chair.

If I might add to this, this is not an uncommon event. The CFIB does surveys of their members. In the process, we sit down with the CFIB—and we in fact have a meeting scheduled in the near future—to go through what they find out from their members and to look at the initiatives we have under way to see if they're going to reasonably address it. If not, we develop another plan of attack and look at other options to address it.

I look at it as a very healthy process that works well in the system. They bring information to the table that we don't necessarily have, and a different perspective, and we work together to resolve things.

Mr. Michael Savage: On the competency-based human resources management model that you're implementing, I understand it takes some time. The Auditor General indicated that she had planned to do an HR audit in 2004 or maybe in 2005, but she put it off because she felt there hadn't been enough time for this to permeate through the organization yet. I think she's planning on doing one this year, or next year, or something like that.

Do you have a comment on where you want to be by the end of this year in terms of the agency-wide implementation of the competency-based model?

Mr. Michel Dorais: The question is relatively specific. I will ask the assistant commissioner for human resources, Madame Gauvin, if she wants to address this one in particular.

Ms. Lysanne Gauvin (Assistant Commissioner, Human Resources Branch, Canada Revenue Agency): Thank you.

It is true that we continue to work very actively in order to put in place the competency-based human resource management system. We are also working very closely with the unions in terms of trying to get an understanding of and address some of the concerns they've raised. The commissioner mentioned that there was a report we would be receiving in the relatively near future that will help us to decide what our next steps are going to be.

I think it's also important to understand that since the implementation of the agency, we have taken a number of steps to bring improvements to our whole human resources regime. This includes things like building capacity, in terms of having people who can do evaluations, and bringing managers into the process of evaluating the competencies of their staff.

We're just finishing phase one of that implementation; we're going into a second phase over the upcoming year. All of this has been discussed with the unions, and people tell us that they're onside with those approaches.

• (1645)

[Translation]

The Chair: Thank you, Ms. Gauvin.

[English]

I have just a quick question.

You worked in cooperation with the CFIB to distribute advance notice information to prepare business people. I'm curious, because there are other business organizations, say the Canadian Chamber of Commerce. Did you attempt to construct some type of outreach through that organization, or others, as well?

Mr. Michel Dorais: We did. I know they've all been contacted now. I don't know if we have arrangements with all of them—we could provide that to the committee—but they've all been contacted.

The Chair: Very good. Thank you.

Mr. Michel Dorais: Some have indicated that they wanted to do it on their own.

The Chair: Okay.

[Translation]

Mr. Carrier.

Mr. Robert Carrier: Good afternoon, ladies and gentlemen.

I'm a little disappointed in your presentation. It is the first opportunity I have had to meet with officials from the Canada Revenue Agency. You said that five years is too short a time to be able to make fundamental changes. If as members of Parliament we had five years to prove ourselves, I believe we would be very happy. I was elected in 2004. Seventeen months later, there was another election, and I had to produce something more than three pages of text in large print to show that I had done a good job.

What do you base your statement on when you say that you have achieved the following three objectives: provide a better service to Canadians; becoming a more efficient and effective organization, and establishing a closer partnership with the provinces and territories. You say you are convinced that you have made significant progress in these three areas.

Personally, I cannot be convinced: you have not prove it yet to me and I do not have the means to carry out an inquiry in your office. I am disappointed to see that after five years, you are not giving us any evidence of your performance.

Do you have any performance criteria? How can you determine that you have increased your effectiveness?

Having been a taxpayer for at least 40 years, I am worried, like many taxpayers, about the number of people who do not pay tax because they know how to find ways to avoid it. Sometimes in Quebec, where I live, we hear about a particular Quebec government operation under which several hundred extra employees are hired and the cost of this is covered by the additional claims that are recovered. That is somewhat reassuring.

On this issue, I'm wondering if there is a partnership with the federal government in these cases. Is the federal government aware of the additional money that a provincial government, be it Quebec's or another, recuperates by setting up additional enquiries? If so, does it ask for its share? What are you doing about that?

Mr. Michel Dorais: Mr. Chairman, if my opening remarks were brief, it was out of respect for the committee, I wanted to leave more time for discussion.

Let me refer the honourable member to the 80-page document we tabled before the committee and where we describe the results we have achieved over the past five years. The graphs in this document show how the agency has evolved over the past years. We also table before Parliament every year a performance report which is audited by the auditor general. Our standards of service are covered in this report. They are explained in detail in the special appendix at the end of the report. I think that we are the only agency that tables its standards of service before Parliament on a yearly basis.

Thus, we have a fairly substantial amount of information that leaves us to conclude that we are advancing. We have not solved all the problems, obviously. However, we are a large agency and we are making significant progress.

As for our contacts with other fiscal agencies, especially in Quebec, we have excellent relations with the Quebec government as well as a protocol for exchanging information that can guide us in this field.

Mr. Robert Carrier: Was the document that you mentioned, tabled at today's sitting, or had it been tabled previously?

• (1650)

Mr. Michel Dorais: It was tabled during the previous session and it was tabled again last week before the Finance Committee.

Mr. Robert Carrier: Today's meeting is specifically aimed at analyzing your service performance over the past five years. It would had been useful for us to see an overview of the indicators and improvements used in keeping with your three mandates.

Mr. Michel Dorais: I leave this up to the Chairman, because the document was tabled last week, at the beginning of this series of testimonies. Now we have come to the end of it.

Mr. Robert Carrier: Regarding your performance, could you tell me if you have really increased the amount of revenue collected over the past five years?

Mr. Michel Dorais: Yes. In fact, we went from \$275 billion to \$307 billion over the past five years.

Mr. Robert Carrier: Do you think that you have reached full capacity, or do you think that further efforts could be made to improve your performance?

Mr. Michel Dorais: We have not yet reached full capacity. On the contrary, our tests show that if we proceed in a more targeted way, we will collect more money. We could, for instance, audit companies and taxpayers by using a more targeted risk analysis. However, growth has been steady during the past five years.

[English]

The Chair: *Merci, monsieur.*

We'll continue with Madam Ablonczy, s'il vous plaît.

Ms. Diane Ablonczy (Calgary—Nose Hill, CPC): Thank you.

It's good to see you again.

It's a thorough review, but I think it will be good. Of course you heard the concerns expressed by the CGA a little bit earlier. I'd just like to take you through the four main concerns expressed by this organization; we take those very seriously.

Of course the CGA works very closely with your agency day in and day out, and so the first issue raised was the predictability, the consistency of decisions. There are complaints that the rules of the game change from month to month sometimes, or even more often. Do you agree this area needs to be improved? And if you do, what specific measures will be taken to deliver some improvement?

Mr. Michel Dorais: Mr. Baker will take some of it, but let me comment generally, because to be honest, I was a little surprised at the statement.

On the one hand, the expert accountants are saying the Income Tax Act is very complicated, and there's a lot of room for interpretation. On the other hand, all the agents of the Canada Revenue Agency are expected to have a perfect mastery of the Income Tax Act. It happens, and every time it happens, when it's brought to our attention, we take immediate action to correct it and we distribute the information throughout the system in the most accurate way. So it's obvious, with the complexity of such a legislation and 40,000 people distributed across the country, that one person can interpret something slightly differently, but it happens that we have to make some corrections.

But our training program is uniform across the country, and we try to measure it in a uniform way across the country to ensure that consistency.

Mr. Baker, did you want to add to that?

Ms. Diane Ablonczy: I don't have much time, so maybe very quickly.

Mr. William Baker: Very quickly, if I could add to this, we also have in place a number of quality review mechanisms whereby we'll go out and look at the activities and decisions made by different offices across the country. And if we detect an inconsistency, we will look at the right solution for that. It could be a technical letter, it could be additional training, or whatever, but we have mechanisms to deal with these.

Just to say one other thing, the essential tension in the system is to allow our auditors, and other people in particular, the discretion to be able to deal with taxpayers in a reasonable period of time and come up with a fair and reasonable outcome. We have to allow them some scope to manoeuvre. They can't be completely programmed, because despite the fact that it's long, the Income Tax Act isn't as long as some people would like it to be. So we manage these situations as best we can.

Ms. Diane Ablonczy: That makes sense.

I appreciated your answer to my earlier question about how employees were dealt with who perhaps had treated taxpayers unfairly—misconduct. I was interested, though, because as you mention, there are 40,000 employees across the country, but I see here only four disciplinary cases in the last year. I find it hard to believe only four of 40,000 warranted disciplinary measures.

•(1655)

Mr. Michel Dorais: In fact, a lot of the issues are dealt with at the local level, and those statistics are not necessarily available. The local manager has the responsibility to ensure that whoever works in that unit has a certain level of respect and courtesy and operates according to the internal code that we have. If there are some discrepancies there that are brought to his or her attention, they take immediate action in the field.

Ms. Diane Ablonczy: If there has been disciplinary action at the local level, are you advised of that at the national level?

Ms. Lyianne Gauvin: We use a progressive measure of discipline. The first discipline is a verbal—

Ms. Diane Ablonczy: That wasn't my question. Do you know about it?

Ms. Lyianne Gauvin: The verbal warnings, the verbal discipline, we do not capture, but if the discipline is over and above that, if it's written, or for those types of things, we do have the information in terms of the total number of times the discipline is issued.

Ms. Diane Ablonczy: So you haven't advised me in your answer as to the total number of disciplinary actions. I guess I'm wondering why, because you obviously know about them.

Ms. Lyianne Gauvin: I'm sorry. I thought the question was how many disciplinary actions we had taken with respect to inappropriate behaviour towards taxpayers.

Most of the disciplinary actions we take are with respect to employees who are not respecting our own internal guidelines for things like electronic mail, and things like that.

Ms. Diane Ablonczy: I did get that from your answer. I'm sorry to keep interrupting, but I have such a short time.

The Chair: Madame Ablonczy, your time unfortunately has elapsed.

But further to Madame Ablonczy's inquiries, I think it would be wise to forward the information she requested in full to the committee. That has not been done. I understand the rationalization that you have given the committee, but I believe Madame Ablonczy is asking you for further information. So I would appreciate it if that could be compiled, and I thank you for that.

Ms. Lyianne Gauvin: No problem.

Mr. Michel Dorais: We'll complete the question, Mr. Chairman.

The Chair: Thank you, Mr. Dorais.

We'll proceed with Mr. Pacetti.

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

I have just a couple of quick questions, again.

The previous witnesses from the CGA indicated that they would like to see somebody come in and do the audits for GST, and then somebody else doing the corporate tax, and perhaps somebody else doing the payroll tax. I would tend to disagree, because I think once you have an audit and you're going to have that interference, you would want one type of auditor. But from what I understand, you've been flip-flopping in terms of whether you just...

My experience has also been with Quebec. There, the GST is administered by the Quebec government, so it's a different situation.

But what have your results been, and what is your preference? Do we go to one man or a team of people who go into a company? I'm talking about small business, not necessarily large corporations.

Mr. Michel Dorais: Frankly, I was a little surprised, too, with the comments, because what we hear from business is, "Please don't send us three auditors in the same year; just send us one auditor to audit everything." In the discussion we have when we harmonize tax or when we implement tax agreements on behalf of a province, business usually thanks us, because we have one auditor who comes and audits everything. So our tendency has been to do that.

Before, sometimes we would send auditors to audit just one element of the business. We've tended to get away from that and send an auditor to audit the entire set of books, and that's it; it's over with. When it's finished, it's finished. Business seems to appreciate that a lot more.

Mr. Massimo Pacetti: I have another quick question.

The booklet we received this year is on what you've accomplished in the last five years, but you also have your corporate business plan. Would that be a template for what your goals are? Could we use that as a template in how we evaluate you in a year or two years?

We're just going to be extending the mandate of the CRA. There's no mandate in five years to relook or revisit this file. But we do have a mandate where you deposit the annual report with us and we can bring you here every year. Is this a template that we can evaluate you by?

It's signed by the chairman of the board of directors. So is this a good document that we can use?

•(1700)

Mr. Michel Dorais: The summary of the business plans and the performance report are two key documents.

Do you want to add something?

Mr. James Ralston (Chief Financial Officer and Assistant Commissioner, Finance and Administration Branch, Canada Revenue Agency): Actually, the requirement in the act, when we produce the annual report, is that the report is meant to make reference back to the corporation's plans. So when we produce our annual report, hopefully it should be evident how it relates back to the previous business plan for the same period.

Mr. Massimo Pacetti: There is just one question that we brought to the Auditor General in terms of collections. When it comes to amounts outstanding for agencies like yours, like a tax collection agency, what is the normal period that an accounts receivable should be overdue? In some companies it's 30 or 60 days, but I would imagine in your case it would be a much longer period of time. At what point do you start looking at it not being collectible?

Mr. Michel Dorais: It's hard to put a time limit on this. Contrary to business, we cannot say we're not going to do business with you because you're not paying. Also, when an account is under appeal and sometimes goes to court, it stays in the collectible for sometimes years.

Mr. Massimo Pacetti: I thinking of the cycle. I don't think you can start collecting before an item is even a year old.

Mr. Michel Dorais: There are some rules on when we can start collecting.

Mr. Massimo Pacetti: If somebody says 50% of the items that are outstanding are over a year old, I don't think you can panic over that. There should be a threshold where you do begin not to panic but at least to worry about the amount being collectible.

Mr. Michel Dorais: The member is right, and he is putting his finger on one of the weaknesses of our system. The current computer infrastructure that we have gives us the debt, but it doesn't necessarily give us the age of the debt. We do have people, for example, in the accounts receivable who paid today for the year 2004, but they haven't paid for 2005, so they stay as a debt. You have to pull the file to know which year corresponds to what debt. That's what we need to correct.

Mr. Massimo Pacetti: So that is not a goal for you?

Mr. Michel Dorais: No, it's not in there. It's in the AG's report; she put her finger on that. We agree with that, and we have plans to renew the system.

Mr. Massimo Pacetti: *Merci.*

The Chair: *Merci, monsieur Pacetti.*

Ms. Diane Ablonczy: Mr. Chairman, I'd just like to clarify something.

The Chair: Yes, Madam Ablonczy, please.

Ms. Diane Ablonczy: With this discussion for additional information, just to save you time and trouble, I was only interested in information with respect to misconduct involving treatment of taxpayers. However, I would point out that I really can't accept that there were only four people out of 40,000 who treated taxpayers at a level that would call for some sanctions. I just don't accept that. I really think you need to examine that more closely.

The Chair: To be fair to Madame Gauvin, who responded to that question earlier, you indicated to the committee that there are earlier thresholds at which, whether locally...some not declared and not recordable by you, but other thresholds that you could report back to the committee on. Isn't that correct?

Ms. Lysanne Gauvin: That's correct.

The Chair: We'll look forward to that information being given back to committee members.

I thank you very much for your presentation today, Monsieur Dorais. And to the team, we very much appreciate your being here. We'll invite you to retire from your seats, and we'll conclude very quickly with some business items.

Mr. Michel Dorais: Thank you, Mr. Chairman.

The Chair: I would like to report back to the committee—and this will be very brief—in respect of some activities that we'll be undertaking to encourage Canadians to take part in during the pre-budget consultative process.

We're just waiting for final approval on the travel budget that we had put in. Expect that as forthcoming. I look forward to spending some time together in the fall with all committee members as we do our work both here and across the country.

Also, the website will have posted an invitation to all Canadians to participate by way of applying to be witnesses or by way of making submissions to our committee. As well, a letter will go out to each member of Parliament. All of our colleagues will receive this letter, which outlines our encouragement to them to encourage others to be part of the process. We'll distribute the town hall meeting kit that committee members have had a chance to look at. I'm also going to follow up with all whip's offices and caucus chairs to encourage them to do some follow-up in whatever way they deem appropriate so that we do genuinely reach out and get as many people involved as possible.

I will say this, I think it's been made very clear to me from committee members that we want input, but we want input to be focused on the topics that we've outlined. In the past I've noticed a tendency, too often repeated by some of our witnesses, to branch into a number of areas of pet concern to them, which are not necessarily within the mandate of this committee or within our ability to address.

I believe in the inventory management principle of garbage in, garbage out, and I don't want garbage to come to this committee and I don't want this committee's time to be wasted. I do understand that we need to reach out in a broad-based way. We're going to try to strike a balance of those two things. We're going to encourage as many as possible to submit and to be part of the process, but out of respect to you, my colleagues, we want those presentations and that input to be focused somewhat on the topics that are within our jurisdiction. So we're going to proceed in that way.

Mr. Savage, please.

• (1705)

Mr. Michael Savage: I have a question on that. You may have covered this before, but if, for example, in the community of Halifax, which we're going to be visiting, we have groups and organizations that we want to give some notice to, we would work through the clerk on that?

The Chair: Yes, I'd encourage Canadians, who may take in these proceedings also, to direct their inquiries through the clerk's office.

I believe the deadline for making applications to appear is August 11, and the deadline for submissions or briefs to be brought forward is September 5. I encourage you, as we should encourage all our colleagues, to make sure that interested groups or individuals are made aware of the opportunity that they have to be part of this process.

I think the process will be very worthwhile, as it has been in the past, and will hopefully allow all of us to benefit and, through the most effective use of our time, produce a report that is of the greatest value to Canada and Canadians.

I'll close by offering a personal thank you to all committee members. As you're aware, it's been a number of years since I've chaired anything, and I really appreciate the support and encouragement committee members have offered to me. I thank you for that.

I must tell you that I'm very impressed with the quality of the people who have been on this committee, and who have taken part in it. Frankly, I believe we have a unique opportunity right now, because the partisanship that has sometimes shadowed previous committees, with proximity to the next federal election and so on, has often tended to influence the degree to which committee work is effective. I think we have an opportunity right now to work to genuinely put together some real proposals in the coming weeks and months that this government will be encouraged to act on as a result of this focused effort and the teamwork that we've demonstrated at this point in time. I thank you for that.

I want to wish all of you a tremendous summer, and to you and your families and your staff, I say enjoy yourselves, relax, get rested up, because we have a lot of work to do in the fall.

Mr. Massimo Pacetti: Mr. Chair.

The Chair: Yes, Mr. Pacetti.

Mr. Massimo Pacetti: If I have to, it'll be a point of order. I want to reiterate that I understand the fact that you are a new chair, but we did ask at the beginning of the session that the Minister for National Revenue and the Minister of Finance appear. There doesn't seem to be a genuine effort on their part to appear or on the committee's part to make them appear. I'm not sure what the problem is.

The Minister of Finance was supposed to appear on Monday. That appearance was cancelled, but I understand that he appeared before the Senate committee. I'm not sure what the problem is there. This committee is available to meet at any time. I think it's an important committee.

I think the presence of the Minister of Finance is important for the independent budgetary office, especially since we're going to be voting on Bill C-2 again tomorrow, I think it is. There has to be an effort made to have the Minister of Finance here. I don't know what the answer is going to be, but if we're going to wait till the fall, I don't see what input we're going to have for that independent budgetary office.

Secondly, we also requested the Minister of National Revenue. The review of the CRA is going to drag on. We should have been able to complete it before we rose for the summer.

I also want to ask for the chair of the board to appear; and again, if the ministers are going to come and they're going to take the time, the least they could do is appear for at least an hour and a half to two hours so that all members, not just the opposing members, will have time to ask questions.

I haven't received any satisfactory answers. I've been requesting. I've been nice. I haven't tabled a motion, but if I need to, I'll table a motion, and if I have to filibuster, I'll filibuster. It's important that we get the ministers before the committee.

You can't function without having a minister before the committee. We understand we had him here for the budget. It was for an hour, and he had a five- or ten-minute opening, so that left us with 50 minutes to ask him questions on a budget document that was over 100 pages long.

I don't want to make a big deal out of this, but somehow I think I have to, because it's not acceptable that ministers don't appear before the committees that they're responsible for.

• (1710)

The Chair: I accept your intervention, of course.

Ms. Diane Ablonczy: Mr. Chair.

The Chair: And I would respond first of all by saying that I think all committee members share the desire to have the ministers appear here as often as is necessary and possible.

It gives me a profound sense of déjà vu as I listen to your comments, because I recall others making those similar comments in previous committee meetings of the finance committee as well, under previous governments. It's of course a concern that is frequently and quite necessarily raised.

That being said, in respect of the revenue minister, we are continuing our review, as you pointed out, and will continue, and the revenue minister has given every indication to us that she will appear in the fall. So that I don't see as a major concern, frankly.

On the issue of the parliamentary budget office, as you are aware, the minister was given very little notice, frankly, and agreed on very short notice to come, and then circumstances arose that made that impossible for him.

That being said, we're making every possible effort to have the accountable ministers come to the committee, and we'll continue to do that.

Madame Ablonczy, you had a comment?

Ms. Diane Ablonczy: It's just to say that as parliamentary secretary I made your critic aware of the circumstances in which the minister found himself this week. He certainly wanted to be here but could not be, and your critic was made aware of that. The minister was able later in the evening to spend two hours with the Senate committee.

As you probably know, quite often on these matters the parliamentary secretary is designated as the witness. Our minister very much wants to and intends to handle these matters himself, to give you that opportunity. Just know that there was certainly no reluctance and is no reluctance at all for the minister to appear. You can expect he will do it and will make himself available.

The Chair: Mr. Christopherson, please.

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

To follow up on the point made, it probably is going to take at the very least a motion, I suspect, because something else could come up, and these things go on. I would recommend you get a motion and get it secured, but that's up to you.

I want to support the notion, though—I didn't realize we'd have enough time, because I thought this was coming to an end—that if there is time, it makes a lot of sense to have the chair of the board, if not the entire board, come in and at the very least say, “We think everything is wonderful and we're able to handle it.” If we have the time, if we're going to do justice to reviewing a statute where there is an oversight body—particularly when this is a unique governance model very different from what we have across the rest of the public sector—we have to get used to the idea that where this model is used we have not only the commissioner come in on behalf of the bureaucratic side, but also the board representing the arm's-length oversight of that agency. I certainly would like to see that done.

If you need a motion, I'll make it, but if you just take it under advisement and act on it, that's fine too, Chair.

The Chair: That certainly will be the plan, Mr. Christopherson. I think it's good advice and I accept it, certainly.

Seeing no further interventions, I wish you all the best for a good summer.

Yes, Mr. Pacetti.

Mr. Massimo Pacetti: This is on a positive note.

I'll leave it in your hands concerning the minister, but if we can—and this again may be my own personal willingness to want to close

this file—we should try to get the CRA done as soon as we get back, and then, if we want, start the pre-budget consultations and some of the other issues we have coming forward.

I was at the industry committee yesterday. It came out with an interim report on Canadian manufacturers. It was a study done on globalization and all these factors. If you have two minutes, in private perhaps, you could speak to the chair of the industry committee, because they've already had some of the groups that are probably going to testify in front of our committee. Perhaps not to eliminate, but to alleviate some of the work we're going to have, or to eliminate some of the repetition, you could speak to him.

There might be different ideas we can work together on respecting certain issues. They're going to also be looking at travelling to look at certain sectors. Perhaps you could speak to him, and maybe we can coordinate something. I think we'll have some common issues there.

Thank you, Mr. Chairman, for your indulgence.

● (1715)

The Chair: Thank you, Mr. Pacetti.

Thank you, committee members.

We will adjourn.

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

**Also available on the Parliament of Canada Web Site at the following address:
Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante :
<http://www.parl.gc.ca>**

The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.

Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.