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## Standing Committee on Finance

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**Wednesday, February 27, 2008**

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**Chair**

**Mr. Rob Merrifield**

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Wednesday, February 27, 2008

• (1535)

[English]

**The Chair (Mr. Rob Merrifield (Yellowhead, CPC)):** I'll call the meeting to order.

We want to thank the witness for coming forward.

We're going to be dealing with a private member's bill, but prior to doing that there are a couple of quick things we have to do, housekeeping issues. One is we are about to vault ourselves into a study on taxation, and there's a budget here. Has it been passed around?

**A voice:** Yes.

**The Chair:** It's been passed around.

We'll entertain a motion to move it.

Mr. Wallace has moved to put it on the floor and open debate on the budget.

**Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.):** What is the motion, Mr. Chairman?

**The Chair:** The motion is to move the budget that you have in front of you. I think it's \$37,350.

**Mr. Massimo Pacetti:** What is it for, Mr. Chairman?

**The Chair:** To bring forward the witnesses to vault us into the study on taxation.

**Mr. Massimo Pacetti:** Is this standard procedure?

**The Chair:** Yes, it is. We don't have to go to the liaison committee as long as it's under \$40,000, so it's a housekeeping issue.

**Mr. Massimo Pacetti:** No, but is this to have the witnesses come from Vancouver, Calgary, Toronto, Montreal, and Moncton?

**A voice:** Yes. We need money to pay expenses.

**Mr. Massimo Pacetti:** Okay.

I'm okay with it, Mr. Chairman.

**The Chair:** Now you're okay. Does that mean you're ready for the vote?

**Mr. Massimo Pacetti:** I am ready for the vote.

**The Chair:** All right.

We'll entertain the vote on the motion. Is everybody clear about it?

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

**Mr. Massimo Pacetti:** I know it's easy for some of the Conservatives to spend money.

**The Chair:** We have one other motion we would like to present.

If you two have anything further to discuss you need to do it outside, but if you're at the table I wish you'd pay attention to the business of the committee.

This is a motion with regard to a private member's bill. I talked to the mover, and he wanted to examine whether he can bring forward another amendment, one he didn't want us to look at at this time. We have the option to ask for a 30-day extension. So it's a 30-day extension on the private member's bill, Bill C-305.

We have the motion. Mike moves it.

Now we'll open debate on that motion with Mr. Pacetti.

**Mr. Massimo Pacetti:** I think we're going to be opposed to this bill. We're ready to vote on it and just refuse it and we can save some time at the committee level also.

I say I'm ready to vote it down. We can either debate it or we can go directly to the vote. I'm ready to vote.

**The Chair:** Okay. That's very good consideration.

The mover.

**Mr. Mike Wallace (Burlington, CPC):** My reason for moving it—based on your explanation, and I want it again, if I can have it—is the mover of the motion wants more time to look at an amendment or who wants to do the amendment.

This bill came in front of us months and months ago, I believe. Did it not?

**The Chair:** I agree. This was before my time in the chair, but I understand you have had the mover in front of you. We are prepared to go to clause-by-clause on that. I don't think we need the mover of this here.

**Mr. Mike Wallace:** I want to move my motion, Mr. Pacetti, Mr. Chair.

**The Chair:** Just a second.

This is a motion we have put here to give us more time if we want it, but it's certainly the prerogative of the committee to do what it would like. With that, it's up to the mover.

Mr. Pacetti.

**Mr. Massimo Pacetti:** We don't have a choice. We have to vote on this. It's either up or down. We've already seen witnesses. We even had this bill in front of committee in the previous Parliament, so it's not something new. If there is an amendment, he should have brought it forward before we had witnesses. I don't think anybody on either side of the table was in favour of this. We're just wasting our time. We can just vote on it on division and refuse it. It's up to the committee, but I don't think we have to debate it. I think we've already addressed this in the past.

**The Chair:** Okay.

We have a motion on the floor. We will either vote for or against the motion, and that's what we're doing, just to clarify.

Mr. Laforest.

[*Translation*]

**Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ):** Mr. Chairman, would it be possible to postpone the vote until our next meeting? I would like to have more information on the nature of this bill and the effect of the motion.

[*English*]

**The Chair:** For your information, if we vote this down, we have until March 5.

We can deal with this at another meeting, if that is what you're asking. Fair enough.

Mr. Laforest.

[*Translation*]

**Mr. Jean-Yves Laforest:** Mr. Chairman, I would prefer that we deal with it at our next meeting.

[*English*]

**The Chair:** I understand that, but we're voting on this motion right now.

Do you want the extension or not? That is the motion.

(Motion negatived) [See *Minutes of Proceedings*]

**The Chair:** If we do not bring this forward before March 5, it will be deemed adopted as is. If we want to move it and kill it, as Mr. Pacetti has suggested, then that is an option we have, and we'll leave it to the discretion of the committee to do their will between now and March 5.

**Mr. Massimo Pacetti:** Okay.

My question is directed towards the clerk, just to refresh my memory. If we do not do anything further in this committee, is it still going to go to a vote in the House, or should we vote it down for it not to go to the House for a vote?

• (1540)

**The Clerk of the Committee (Mr. Jean-François Pagé):** If we do not do anything, it will be deemed adopted with no amendments.

**The Chair:** I would suggest that we vote it down here.

**Mr. Massimo Pacetti:** Okay.

I would like to put forward a motion that we vote down Bill C-305.

**The Chair:** Okay. The motion is on the floor. Is there any opposition?

[*Translation*]

**Mrs. Claude DeBellefeuille (Beauharnois—Salaberry, BQ):** Your comments are being exchanged so quickly that the interpreter is unable to keep up properly. Can you please avoid these monologues and dialogues in English so that I can follow the discussion please?

**Mr. Massimo Pacetti:** Mr. Chairman, I will move the motion.

[*English*]

**The Chair:** Okay, we understand that, and we'll slow it down a little bit. That's fine.

Mr. Pacetti.

[*Translation*]

**Mr. Massimo Pacetti:** Mr. Chairman, I move that Bill C-305 not be adopted by the committee.

[*English*]

**The Chair:** Okay. We have a motion on the floor. Is it in order?

This is the way I'm going to rule on this: If we have unanimous consent to deal with this, we will entertain this motion; if not, we should put it on the order paper and do it on Monday. Fair enough? That's just being fair.

If there's unanimous consent, I'll ask for that. Is there unanimous consent to deal with it? No? Okay.

I don't see unanimous consent, so we will bring this back on Monday. We'll put it on the paper and do it right. Fair enough?

Let's move on now to the bill at hand. We have a private member's bill, Bill C-207.

We have Mr. Robert Bouchard. Would you please introduce the people at the other end of the table? Then we'll allow you to speak to your bill.

[*Translation*]

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

Accompanying me today are Mr. Marc-André Roche and Mr. Alexandre Cliche. I wish to thank you for welcoming me today to discuss Bill C-207, a bill concerning tax credits and amending the Income Tax Act.

In concrete terms, the goal of this bill is to reverse the exodus of young graduates who are moving to large urban centres and to encourage them to begin their professional careers in the regions which would benefit from skilled labour.

During second reading of this bill, certain members of Parliament asked questions. I would like to take a few moments to address their concerns with respect to Bill C-207.

According to the Emploi-Québec economist, Mr. Clément Desbiens, all regional employment sectors will be increasingly affected over the years to come. In a document entitled "Employment Perspectives 2005-2009", it was stated that in the Province of Quebec alone, there will be 251,000 positions to fill during this period. In my region of Saguenay—Lac-Saint-Jean, Emploi-Québec estimates that 18,000 new positions will have to be filled during the same period of 2005 to 2009.

In addition, some colleagues have pointed out that this bill should be accompanied by an overarching plan for regional development. I am in full agreement with these statements; however, Bill C-207 is simply a starting point which will allow our regions and regional companies to recruit and retain skilled workers.

In fact, a similar tax credit has proven to be successful for the Government of Quebec. This tax credit was implemented in 2003 and provides assistance to new graduates who are settling in regions that have been designated by the Government of Quebec. The number of young people benefiting from this tax credit has gone from 2,000 to 9,000 between 2003 to 2007. Obviously, this program has proven to be successful in Quebec.

In 2006, the program was launched at a cost of \$30 million to the Government of Quebec. If the program were nationalized, this program would cost the federal government \$90 million in 2006, which is a small investment if we want to encourage young people to migrate to the regions.

This bill, therefore, seeks to create a non-refundable tax credit. A young person must pay taxes prior to receiving a tax credit of a maximum of \$8,000 for a given period.

I therefore ask the members of the Committee on Finance to help our regions support our young people. We must put a stop to the demographic hemorrhaging and the exodus of our young people to major urban centres. We must foster development of our manufacturing and processing industries, by opening the pool of skilled labour to our entrepreneurs.

In conclusion, I wish to add that young graduates in remote areas are fewer and far between. The regions are suffering as a result of the exodus of young people and specialized workers. The acceleration of the aging of the population in our regions is just one of the problems that is the result of this exodus. When a region loses its young people who have special training in specific sectors, a region's vitality diminishes. The exodus of young people undermines a region's ability to innovate. Indeed, young people with specialized training are better educated than those who stay behind.

• (1545)

That concludes my presentation. I am ready to answer your questions. The two people accompanying me will also assist me.

[English]

**The Chair:** Thank you very much.

We'll go exactly there right now with regard to questions. We'll open the floor to Mr. McKay, and he can start with his first round of questioning, seven minutes.

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

I'm trying to understand this bill, more than anything else. Basically, as I understand the scheme, you would have a designation of regions, and that would be where the person to be potentially benefited by this bill would go.

So the designation of regions is a bit complicated here under the Designation of Regions Act. I never even knew there was a Designation of Regions Act—sorry, Regional Development Incentives Act.

So basically you defer to the Governor in Council for the purposes of an order to designate a particular area a region. I'm given to understand that there have been no regions designated by order in council thus far. Is that correct?

[Translation]

**Mr. Robert Bouchard:** Yes. It is under the Regional Development Incentives Act. The section entitled "Designation of regions" reads as follows:

3.(1) Subject to subsection (2), the Governor in Council, after consultation with the government of any province or provinces, may for the purposes of this act, by order designate as a designated region, for the period set out in the order, any region comprising the whole of that province or these provinces, or any portion thereof not less than 12,500 square kilometres in size, that is determined to require special measures to facilitate economic expansion and social adjustment.

• (1550)

[English]

**Hon. John McKay:** Yes, I understand that. You could presumably designate the province of Quebec as a region. Is that correct, for the purposes of this legislation?

[Translation]

**Mr. Robert Bouchard:** The act stipulates a "province". As regards a "region", in Quebec, there are 17 regions and in each and every single province, there are areas that are designated as a "region". As regards this, the governor in council must consult the provinces and territories to agree upon the designated regions. You are talking about the federal designation of a province or region, but I wish to specify that a region is found within a province.

[English]

**Hon. John McKay:** Within the interior.

The purpose of your bill, as I would understand it, is to drive young people to settle in rural areas. What I'm trying to determine is whether you could defeat yourself, if you will, by having a province designated as a region and....

Well, I'll take another example: Prince Edward Island. You take it as a region, and yet I could live and work in Charlottetown, for instance, and still qualify for this program. Is that a reasonable anomaly in your bill?

[Translation]

**Mr. Robert Bouchard:** If consultations have been held with a province, and if the province agrees to proceed a certain way, then there is agreement.

[English]

**The Chair:** Very quickly.

[Translation]

**Mr. Robert Bouchard:** I wish to add that the region also must be experiencing economic difficulty. If it is not, then there is no negative growth. Of all the criteria which determine economic difficulty, this is the most significant.

[English]

**The Chair:** That's enough. I said be very short, and I meant it. Monsieur Laforest, for seven minutes.

[Translation]

**Mr. Jean-Yves Laforest:** Thank you, Mr. Chair.

Good afternoon, Mr. Bouchard.

I understand that the bill you have tabled and are speaking to today holds an extremely laudable objective: to assist regions experiencing the most difficulty reverse the exodus of young people. You mentioned the region of Saguenay—Lac-Saint-Jean. I, for one, come from a region that is experiencing something similar. You told us that the act came into effect in Quebec in 2003, and that ultimately it was successful. The goal of the piece of legislation is to further help young people settle in regions and to allow the regions to develop. This is a federal bill that will apply to all provinces. This is a very interesting model.

Have I understood correctly?

• (1555)

**Mr. Robert Bouchard:** Indeed, this will allow designated regions which have a declining population and are in economic difficulty to retain their young people and provide their industries with skilled workers.

In the region of Saguenay—Lac-Saint-Jean, for example, we had noted that the population was declining at a rate of more than 5% per year over the last five years. However, this year, we reached a threshold of zero. The population is still in decline, but only slightly. There has been improvement in this regard. This is a positive factor.

**Mr. Jean-Yves Laforest:** This is one way of providing incentives to young graduates to settle in regions, mainly their region of origin. They can also move from one region to another, where there are jobs. They are given a tax credit, which will have an effect on the local economy and demographics. You told us that your region has already seen results. You have in fact halted the demographic decline. Is this correct?

**Mr. Robert Bouchard:** Yes, that is absolutely accurate. You have properly summarized my presentation.

**Mr. Jean-Yves Laforest:** I find this excellent. It can be stated that the model developed in Quebec has produced good results. You are now tabling a bill and signalling that we can go even further. The federal government must also help businesses and regions and allow young people to stay in their regions, or return to a region, or move to a region where there is an abundance of jobs. This is really a measure to support the regions.

**Mr. Robert Bouchard:** Yes, I believe it is perfectly logical for the federal government to contribute to this effort. Quebecers pay their taxes to both orders of government, at the provincial and federal levels. It would be entirely normal for people living in the regions

going through economic hardship to benefit from this. We want to extend this benefit to other regions of Canada that are undergoing economic difficulties.

**Mr. Jean-Yves Laforest:** I will hand over to my colleague for the remaining time.

**Mrs. Claude DeBellefeuille:** Thank you, Mr. Chairman.

Mr. Bouchard, we're talking extensively about Quebec. I'm not aware of the province of origin of all MPs around this table.

The Standing Committee on Natural Resources is currently studying what is going on with the forestry sector. We know that other provinces are affected by the crisis that has struck this sector. I'm referring to regions in Ontario and New Brunswick that could benefit from a bill that seeks to retain young graduates. These people can provide their communities with knowledge and skills, raise families, and increase the population in each province of Canada.

Do you have any other examples in mind?

**Mr. Robert Bouchard:** Yes, I have examples. In northern British Columbia, there are difficulties. There are also difficulties in Nova Scotia, in the region of Cape Breton. In fact, I believe a member of Parliament has already spoken out on this subject in the House of Commons when the debate was being held. In northern Ontario, and northern Manitoba, there are economic problems. Therefore, this is a proposal that would not just apply in Quebec alone, but many provinces would be able to benefit. Of course, in some provinces, things are going very well: we just need to think of Alberta. I do not believe the province of Alberta would benefit from such a program, but this remains to be seen. Indeed, other regions, other provinces than Quebec could benefit from such a program.

**Mrs. Claude DeBellefeuille:** If you will, Mr. Chairman, while you say that the provinces will benefit, I would rephrase it and say that this bill will benefit young people living in regions that are in difficulty, in all provinces. This bill will benefit families, and people who want to offer their skills in designated regions that are undergoing hardship across many provinces of Canada, including Quebec.

• (1600)

**Mr. Robert Bouchard:** Indeed, you have expressed what I wanted to say. In the end, it is young people, families, and people who want to remain in their regions who will benefit. Many young people want to stay in their regions and hometowns. They left to pursue their studies in urban centres and want to return to their regions. With this type of assistance program, we are finally helping young people return to where they want to be.

[English]

**The Chair:** Thank you very much.

Mr. Wallace, for seven minutes.

**Mr. Mike Wallace:** Thank you, Mr. Chair.

Thank you, Mr. Bouchard, for coming today and representing your bill. I have a number of questions for you on this.

First of all, let me just ask you about the following. Monsieur Crête is not here today, but he has proposed some amendments to your bill. Are you aware of that?

Your assistant is.

Are you in favour of those amendments?

[Translation]

**Mr. Robert Bouchard:** Yes, we have amendments to table. I believe that Mr. Laforest will table them. There are amendments, I can explain them.

[English]

**Mr. Mike Wallace:** That's good. That's all I need to know.

One of the issues I have with your bill is that nowhere in it can I find a definition of skilled labour. So I could be an actor—and I don't know if that's a skill set or not....

Nowhere in the bill can I find where you define a designated area—which I also have problems with—or what kind of employment is meant by skilled student or recent grad. Have you defined it anywhere? Have I missed it?

[Translation]

**Mr. Robert Bouchard:** I will hand the floor over to Mr. Roche, to speak on that.

**Mr. Marc-André Roche (Researcher, Bloc Québécois, Office of Robert Bouchard, MP):** This tax credit will be made available to a young graduate who accepts a job in his area of study. Therefore, to be eligible, he or she must find employment related to his or her area of study, and settle in a specific region.

[English]

**Mr. Mike Wallace:** Right.

[Translation]

**Mr. Marc-André Roche:** Therefore, it must be an area of study which is in demand in the region he lives in.

[English]

**Mr. Mike Wallace:** Right, but if I took acting at university and I went back to my community, which happened to be in a designated area, and became an actor, would I still qualify for that?

[Translation]

**Mr. Marc-André Roche:** If a theatre troupe is looking for an employee, and is unable to find someone in the region and makes a job offer to somebody from outside the region, yes. Why not?

[English]

**Mr. Mike Wallace:** So the goal of your bill is to get young people to stay where they're from; it has nothing to do with making sure that the skill sets are meeting the needs of certain areas.

[Translation]

**Mr. Marc-André Roche:** No, it's exactly the opposite. The job must be related to the student's field of study.

[English]

**Mr. Mike Wallace:** Have you been to northern Alberta? Have you been to the tar sands area? No? The oil sands?

[Translation]

**Mr. Marc-André Roche:** No.

[English]

**Mr. Mike Wallace:** I've been there.

In your vision of a designated area, could it be an area that is desperate for skilled employees, but is still doing well? If it's good enough for a student from another part of Canada, whom Canadian taxpayers are paying for, should we be giving that tax break to somebody who goes to an area that's actually doing well but is still desperate for skilled labour?

[Translation]

**Mr. Robert Bouchard:** In my view, that is a problem of a different kind. There's a job shortage in our area. Moreover, young people want to come back to their own regions, and we want them back as well. We also want the exodus of older and young people to stop. We want to give those regions an opportunity to develop, because there is negative growth in areas with economic problems.

You are talking about a problem of a different kind, not an economic problem. The purpose of the bill is to provide assistance in regions that are experiencing economic difficulty.

● (1605)

[English]

**Mr. Mike Wallace:** I disagree with you.

I would like you to answer this. For example, the bill shows that you leave school, you're there for the first.... Is it 24 months or 12 months that you're there? I can't remember off the top of my head. Is it one year?

So you're eligible for the first year you're there. Is that correct?

[Translation]

**Mr. Robert Bouchard:** In the two years after obtaining his degree, he could receive that assistance.

Let me give you another example. I know a guy who completed his studies. He had completed his nursing degree, then did a masters in public administration and came back to work in Chicoutimi, in my region, in my riding, to take up a position as supervisor for a number of nurses. He got the tax credit. Those are concrete measures.

[English]

**Mr. Mike Wallace:** Yes, in your bill it's for one year. It's for one year, though. You're qualified for one year. You work a year, and you qualify in that tax year. Is that not correct?

[Translation]

**Mr. Robert Bouchard:** The amendment we have put forward proposes a cap of \$8,000 and a maximum of \$3,000 a year. It could be spread over three or four years, or more, but the maximum would remain \$8,000 for the period, and \$3,000 for each individual year.

[English]

**Mr. Mike Wallace:** But based on the numbers, if you make a decent living, let's say \$50,000—I don't know if a new graduate would make that, but let's say it's that much—how quickly do you eat up that \$8,000 eligibility?

[Translation]

**Mr. Robert Bouchard:** It would be three years.

[English]

**Mr. Mike Wallace:** It would be three years.

Once the person is there a couple of years, for two or three years, and takes advantage of the tax credit, there's nothing stopping that young person—who, in my view, at 25 or 26 years old is still pretty young—from moving from that region. There's no long-term guarantee that they will be there. Is that not correct?

[Translation]

**Mr. Robert Bouchard:** The first program instituted by the Government of Quebec was for \$8,000 in a single year. It was a refundable tax credit. The government tabled an amendment to allow for some withholding, so that young people would have a better opportunity to live in a designated region. This is why it's spread over several years now. However, I think that someone who lives in a given region for a number of years, buys a house there, forges some links and makes friends has a much greater chance of staying there over the longer term.

[English]

**The Chair:** Thank you very much. That time has gone.

Now we'll go to Mr. Martin. The floor is yours for seven minutes, please.

**Mr. Tony Martin (Sault Ste. Marie, NDP):** Thank you very much, Chair.

I actually think this is a concept worth exploring. I think it needs to be developed further and put into some further context.

Certainly areas like northern Ontario suffer. We've lost a lot of young people over the last ten years or more as the economy has struggled to stay vibrant and vital. I'm sure it's the same across the country. Those of us who have been given responsibility for leadership in that area look at ways that all of us—and government is the vehicle that we use most often to assist—can somehow put in place those incentives and supports that will encourage our young people to come back once they've been trained or if they have a certain skill set.

I know that the mining industry in northern Ontario is doing really well right now, but they're having a hard time getting miners to come and fulfill the potential that's there for that. I know that when I sit at committees and I listen to the members of the government, and particularly those who come from western Canada, they talk about the oil sands or the tar sands. Which one did we decide was correct? Tar sands?

**The Chair:** Oil sands.

**Mr. Tony Martin:** Anyway, there's a lack of skilled workers out there.

Actually, probably the simplest answer would be if employers would simply pay decent wages and provide decent benefit packages and make it worth a person's time to come back and to work, they would probably come readily. But that not being the case in most instances, we need to find other ways.

I guess I would like to ask you, in putting this forward, how much work you did in trying to define specifically what areas would be

targeted and who would ultimately decide which areas. How would we determine that?

• (1610)

[Translation]

**Mr. Robert Bouchard:** It would be up to the governor in council, after consultation with the provinces, to recognize that a given region within a given province is having economic difficulties. It would need to consult the provinces and territories to determine which regions would be designated in individual provinces.

[English]

**Mr. Tony Martin:** Is this how it was done in Quebec, in the Quebec experience?

[Translation]

**Mr. Robert Bouchard:** I can't say exactly what the process was in Quebec but I do know that population decline was a major factor. All areas with negative demographic growth met that criterion. That was the most important criterion, even if there were others. The point was to determine whether, as of the 2001 census, the decline in population had caused difficulties, and resulted in a situation that warranted remedial measures.

My colleague has some comments to add.

**Mr. Marc-André Roche:** The most remote regions are those losing the most people. Often, they are single-industry regions, and depend on one industry alone. Often, in the traditional economic base of those regions, there is little room for skilled jobs. We can see that with the forestry crisis; we see regions that depend on a single industry, particularly a cyclical industry, with an economy that relentlessly goes up and down. The government has said that efforts had to be made to develop new businesses in other areas in an attempt to diversify the economy of those regions. Unfortunately, however, those regions don't have the manpower to foster the establishment of new businesses in new areas.

The Government of Quebec has studied the regions that depend on a single industry, where young people leave and where unemployment is high, and has established those three criteria. It considered six administrative regions, along with a number of regional county municipalities—I don't know whether RCMs exist outside Quebec—included in some of the administrative regions, such as Mauricie, Mr. Laforest's region, which is not a designated region. But inside the Mauricie region, some RCMs, like the RCM of Mékinak, which is further north, are designated because they are single-industry regions. Mékinak's economy has declined, its population has declined, and its economy needs to be diversified.

[English]

**Mr. Tony Martin:** If I can try to then have you help me understand, maybe, a bit further, what you're saying is that the government itself would have a responsibility to decide which region needed to be designated. And those regions might change from time to time due to circumstances. So they would have to put in place some measuring sticks or some statistical vehicle to do that.

From the work I've done—I've been in public life now since 1990, first in Ontario and now in Ottawa—I've seen governments do that. I sat on the human resource committee in the last Parliament, where, unanimously, every—

•(1615)

**The Chair:** Go very quickly. Your time has actually gone already. If you have a quick question, I'll allow it, but if not, we'll move on.

**Mr. Tony Martin:** No, I guess that's all I had to say.

**The Chair:** Thank you very much.

We'll go to Monsieur Pacetti.

[*Translation*]

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

Welcome to the committee, Robert, and congratulations on your bill. It's already quite an achievement to have brought it to this stage. I have two brief questions—private members' bills always pose a challenge because they are not always well drafted and do not receive all the support required—and those are the details that are lacking.

If we want to compare this bill with Quebec's, are there any statistics from Quebec? Do we know how many people have used the program, and when it was instituted?

**Mr. Robert Bouchard:** In 2006, some 10,000 people qualified. We believe that, in Canada, about 30,000 young graduates could use the program.

**Mr. Massimo Pacetti:** Quebec instituted its program in 2006, didn't it?

**Mr. Robert Bouchard:** It instituted the program in 2003, but things have evolved. In the first year, some 2,000 people were able to use the program. Now, that number is up to 9,000 or 10,000. In fact, it is closer to 10,000 people.

**Mr. Massimo Pacetti:** Out of the 14 regions in Quebec, how many qualify for assistance under the program?

**Mr. Marc-André Roche:** Six regions qualify, along with parts of other regions. Northern Outaouais is eligible as part of the Pontiac, the north part of Mauricie, an RCM in the northern Laurentians, and six regions.

**Mr. Massimo Pacetti:** So just under 50% of the regions are eligible under the program.

**Mr. Marc-André Roche:** Yes. Those are regions comprising some 900,000 people, out of a total population of 7.5 million.

**Mr. Massimo Pacetti:** My last question is on eligible jobs. A student goes back to his region, or plans to go back to his region to work, but changes jobs after one year. Let's say he gets a job as a mechanic, doesn't like it, and then becomes a doctor or a plumber. What happens? Will he be eligible? Even if he didn't study in that field, will he be eligible? Those details are not clear.

**Mr. Robert Bouchard:** In Quebec with the current program, the student is required to have a job in the field that he studied. If he has a diploma as a mechanic, he has to work as a mechanic. If after a year, he starts working as a baker, then he is no longer eligible. He can only get this during his internship as a mechanic.

**Mr. Massimo Pacetti:** The problem comes up when there is a major job change—if he leaves the field of mechanics and goes to work in a bakery. I agree with you. There is a problem if he works for a private-sector company as a mechanic and administrator at the same time. There, things are less clear-cut.

**Mr. Robert Bouchard:** If he has a diploma as a mechanic and supervises mechanics, I think that's a good thing. If he remains in his field, even as a supervisor, he would still remain eligible, I believe. I think that's how it works in Quebec.

**Mr. Massimo Pacetti:** Right, you wouldn't want to stop him getting a promotion and moving up.

**Mr. Robert Bouchard:** No, of course not.

**Mr. Massimo Pacetti:** Thank you.

Thank you, Mr. Chairman.

[*English*]

**The Chair:** Thank you.

Go ahead, Mr. Del Mastro.

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

Mr. Bouchard, first of all I want to commend you for being concerned for rural communities, because I think rural communities and various regions of the country do have more difficulty than others in attracting people and investment and in creating jobs.

That having been said, I don't think this is the right approach. I have a couple of very specific questions for you.

First of all, suppose you have people who graduated in the 1990s who are working in economically depressed regions in Quebec; if you bring in new graduates and provide them with a tax advantage, what are you saying to the people who have already decided to live in the regions? What are you saying to them? Are you saying that as established graduates working in the regions, they aren't as valuable?

•(1620)

[*Translation*]

**Mr. Robert Bouchard:** You seem to be saying that this creates some unfairness, because people came to settle in 1990 while others came to settle in 2008. In 1990, the region in question did not have any problems, however. The demographic problems began around 1995, and there was no remedy for them at the time. Today, we are proposing a remedy because regions that are losing their population are a real problem. It is to counter that loss of population and to achieve demographic stability that a program of this kind is being put forward.

[*English*]

**Mr. Dean Del Mastro:** Okay.

I come from a city in eastern Ontario. I'll tell you we do have difficulty retaining young graduates, because often there are better opportunities in the GTA or better opportunities elsewhere. I would never want to prevent people from getting the best opportunity for themselves that they can.

I have a second question for you. When you talk about new graduates, what about an older worker who goes back and retrains? Maybe they're 55 years old. Maybe they get a degree. Would they qualify for this program?

[Translation]

**Mr. Robert Bouchard:** A young graduate may be 50 years old. This person could be considered a young graduate because he just got his degree. Such people aren't ineligible for the program.

[English]

**Mr. Dean Del Mastro:** Okay, so it's not necessarily a program for young people; it's a program for graduates. Is that right? Okay.

Now, typically speaking, Canada is a country that suffers from a productivity challenge. We know that. We have economists come forward and talk to us about that all the time. This bill would seem to set up a counter-intuitive incentive to improving Canada's overall productivity.

In fact, most economists come forward and say we should take down interprovincial trade barriers. They say we should have national recognition for trades in general, and that would make Canada much more productive overall—that in fact it would create much more wealth and would actually raise the economic standards of all Canadians. What would you say to that argument?

[Translation]

**Mr. Marc-André Roche:** That's an excellent question.

Last year the Quebec government set up a commission to study tax measures which apply to the regions and which is commonly known as the Gagné Commission. The commission found that in remote regions productivity rose far more slowly than in urban and central areas. In Quebec, productivity rose 2.5% between 1998 and 2005, 3.5% in metropolitan areas, and 0.2% in outlying regions, what you call rural regions.

The members of the commission found that what pushed productivity up was cutting-edge businesses, companies carrying out second and third-tier processing, and generally any enterprise with a great emphasis on value added. They also found that the difficulty in attracting skilled labour in remote regions prevented them from opening high tech or processing companies. So the purpose of this measure is to avoid that kind of situation and to deal with the problem of underproductivity in the most remote regions.

• (1625)

[English]

**The Chair:** Your time is gone. Thank you very much.

We have a short amount of time left, and I have three speakers.

Mr. Laforest, you're first, and then we have Mr. Wallace, and then if we have time we'll have Mr. Martin.

[Translation]

**Mr. Jean-Yves Laforest:** Mr. Chairman, I think we've covered the question. Mr. Bouchard has explained quite a bit about this bill. If the members of the committee agree, I would suggest that we move immediately to clause-by-clause consideration of Bill C-207.

[English]

**The Chair:** Is that a motion or is that just a recommendation?

[Translation]

**Mr. Jean-Yves Laforest:** Yes, it is actually a motion.

[English]

**The Chair:** We have a couple more questioners on it, so I'm reluctant to see it as a motion, because we're so close to the end at any rate. I would ask to see if you would allow just a quick question by Mr. Wallace and perhaps Mr. Martin.

[Translation]

**Mr. Jean-Yves Laforest:** Yes, Mr. Chairman, and then we can do it very quickly afterwards.

[English]

**The Chair:** Okay.

Mr. Wallace.

**Mr. Mike Wallace:** Am I before Mr. Martin?

**The Chair:** Yes, go very quickly, though.

**Mr. Mike Wallace:** I asked you earlier about the length of time, and you said you could qualify for up to the \$8,000, but it might take you a couple of years to get there. But in the actual definitions in your bill, which is all I have to go on, it talks about the base period meaning the first 52 weeks of the aggregate of all periods, each of which the period of the individuals.... So you're saying that they have to work full-time for 52 weeks each year?

To me, I read—and I could be reading it wrong—that they work for the first year then and they'll qualify for the credit, but after that they don't qualify for any credit, and they can move on.

[Translation]

**Mr. Robert Bouchard:** An amendment was moved on this. I don't know if you have it there.

[English]

**Mr. Mike Wallace:** I have January 1, and I have the 3,000....

Is it in the second part?

[Translation]

**Mr. Robert Bouchard:** As far as the amendment dealing with the 52 weeks is concerned...

[English]

**Mr. Mike Wallace:** Yes, but there's no amendment to the base definition here.

Was there another one?

**A voice:** Yes.

**Mr. Mike Wallace:** But where does it say it changes?

This is my final question. That doesn't satisfy me, by the way.

If you're saying 30,000 young Canadians may take advantage of this, is there an average that you've multiplied that by that the tax credit would be, or do you think they'll absorb all \$8,000 worth? Have you done 30,000 times \$8,000, and what does that come to in dollars and cents that pays the treasury?

[*Translation*]

**Mr. Robert Bouchard:** If you look at 2006, there was \$30 million the first year in Quebec, \$45 million the second year and \$60 million the third year. It has held steady at \$60 million since then. Whereas for Canada it's \$90 million for year one, \$135 million for year two and \$180 million for year three. It would level off at \$180 million for subsequent years.

[*English*]

**The Chair:** Thank you.

Before we go on to the last questioner, I will ask the committee, because I believe there is an intent to go to clause-by-clause today—that was the reflection of the motion that we have waived for the time being—whether, if this goes over the 4:30 allotted time and there is no opposition to continuing to do clause-by-clause and take a couple of extra minutes, it would be fine to do so.

Seeing no opposition to that—

**Mr. Mike Wallace:** On a point of order, or whatever you want to call it, what if I don't agree with the bill? Can I not vote against it?

• (1630)

**The Chair:** Yes, absolutely.

**Mr. Mike Wallace:** But do I have to do it clause by clause?

**The Chair:** I would do it clause by clause.

We could go to clause-by-clause, or there could be just a motion not to proceed with the bill—either one—if that's what you wished to do.

Fair enough. I'm just wanting to respect the time of the committee. So I have consensus to go beyond 4:30, if we need it.

With that, I would ask for the questioner, unless there's a point of order.

**Mr. Dean Del Mastro:** Mr. Chair, I was going to move a motion, if I could.

**The Chair:** Let's get the question first, because I committed to Mr. Martin.

Go ahead, very quickly.

**Mr. Tony Martin:** You said earlier that you understood that government could determine which regions would be appropriate and qualify. Other than Quebec, are there any other examples you could give us that we could look at that would help us understand how this might work?

[*Translation*]

**Mr. Robert Bouchard:** Are you referring to guidelines the federal government might propose?

**Mr. Tony Martin:** Yes, I am.

**Mr. Robert Bouchard:** I think that the federal government could perhaps put forward two criteria. To begin with, you could deal with regions facing negative growth, demographically speaking, based on the statistics for any given province. Then, you could look at the regions in one particular province where the unemployment rate is higher than the Canadian average. These benchmarks could be used by the federal government, but I don't think they are quite there yet.

The onus really is on the federal government to set these criteria. And I would suggest two, in particular.

In my opinion, the regions that are experiencing tough economic times would be the main focus. Another would be regions in a particular province which are in trouble financially, dealing with shrinking populations and very high rates of unemployment.

[*English*]

**Mr. Tony Martin:** On a point of order, what was the original plan for this? Was it to come back for clause-by-clause at a further—

**The Chair:** No. The original plan would be to proceed to clause-by-clause at the present time.

**Mr. Tony Martin:** —if you had the time before 4:30?

**The Chair:** Yes, and we're going to do that now.

Mr. Del Mastro.

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

Mr. Chair, I'd like to put a motion on the floor that the committee not proceed with this bill.

While I respect the motives by the mover of the bill, I don't think this bill would provide the desired results. Secondly, I think it's potentially discriminatory for graduates who happen to come from larger centres and who choose to stay in those larger centres.

I'd like to put a motion on the floor that the committee defeat this bill.

**The Chair:** Okay. We will entertain that motion at this time. With that, we will ask for a vote on the motion.

Is there debate on that motion, first of all?

*Oui?*

[*Translation*]

**Mr. Jean-Yves Laforest:** I moved a motion before Mr. Del Mastro. Are we going to vote on the motion concerning the clause-by-clause consideration?

[*English*]

**The Chair:** Well, they're one and the same, but the motion is... We wouldn't need to go to clause-by-clause, if his motion passes. If his motion is defeated, then we'd go to clause-by-clause, so it's the same difference.

[*Translation*]

**Mr. Jean-Yves Laforest:** I moved mine before he did; I hope we vote on mine first.

[*English*]

**The Chair:** The issue is this. You presented a motion. I didn't accept it, because I wanted to go on with the remainder of the debate. Now we're in a situation where we're entertaining a motion to defeat the bill, which in essence would be the same thing.

So I'm in a situation whereby, if I haven't received it, it isn't official. I am receiving this motion, and we will vote on the motion. If it's defeated, then we'll go to clause-by-clause.

[Translation]

**Mr. Jean-Yves Laforest:** Mr. Chairman, I don't think it's the same thing at all. First of all, when you asked me earlier if I was moving a motion, I said I was. Then, you asked me if I had a problem with the two people still on the list speaking. I said no, I didn't. My motion is still on the table and has to be voted on before Mr. Del Mastro's. His motion is completely the opposite of mine.

I would like to appeal your ruling, Mr. Chairman. I'd ask that we vote on the motion that I moved.

• (1635)

[English]

**The Chair:** Mr. Wallace has a point of order.

**Mr. Mike Wallace:** Whatever you decide, whichever motion you play forward, if Mr. Laforest's motion comes first I will be voting to defeat it because I don't want to go line by line.

**The Chair:** We're splitting hairs, really. If we go to clause-by-clause and kill the clause, that's the same thing Mr. Del Mastro wants. If we go with just Mr. Del Mastro's bill and it is passed, it's the same thing. So let's go with the original, clause-by-clause. I'll ask Mr. Del Mastro to allow Mr. Laforest's motion and we'll move forward. Fair enough?

We will now move to clause-by-clause. We have two amendments, and we'll start with BQ-1, number 3297738. We need somebody to move that amendment.

[Translation]

**Mr. Jean-Yves Laforest:** I move it.

[English]

**The Chair:** Do you want to speak to the amendment?

[Translation]

**Mr. Jean-Yves Laforest:** The purpose of the amendment is to change the application year to 2008.

[English]

**The Chair:** You've introduced the amendment and I'm allowing you to speak to it if you like. If not, we'll vote on it.

[Translation]

**Mr. Jean-Yves Laforest:** Mr. Chairman, the amendment I'm tabling deals with clause 1 of the bill and would amend paragraph 118.71(1)(a). The purpose is to replace "2007" with "2008".

[English]

**The Chair:** I understand.

(Amendment negated)

**The Chair:** Next is BQ-2, number 3302909. Monsieur Laforest is moving it.

[Translation]

**Mr. Jean-Yves Laforest:** Yes, I am.

[English]

**The Chair:** Do you want to speak to it? Go ahead.

[Translation]

**Mr. Jean-Yves Laforest:** The purpose of the second amendment, in reference to the initial bill, is to strike, in the first part, the words "attributable to the individual's base period". Mr. Wallace referred to this earlier. So, the purpose of the second amendment is to strike those words in paragraph 118.71(2)(a).

Then, paragraph 118.71(2)(b) would be completely scratched and replaced by "\$3,000". So, it would read as follows: "(2) [...] computing the tax payable under this part by an individual [...] an amount equal to the lesser of: (a) [...] 40% of the aggregate of all amounts [...]" or "(b) \$3,000".

Then, insert paragraph (c), which stipulates that the maximum amount a young, former, or new graduate, regardless of his or her age, may receive from the federal government is \$8,000.

[English]

**The Chair:** Is everyone clear on the amendment?

(Amendment negated) [See *Minutes of Proceedings*]

(Clause 1 negated)

• (1640)

**The Chair:** Shall the title carry?

**Some hon. members:** No.

**The Chair:** Shall the bill carry?

**Some hon. members:** No.

**The Chair:** Shall the chair report the bill as amended to the House?

**Some hon. members:** No.

**The Chair:** Just so that everyone in the committee is clear, if we say yes to this.... I'll just have our clerk explain this.

Would you please explain to the committee exactly what they're voting on?

**Mr. Michael MacPherson (Procedural Clerk):** If the committee does not report the bill back, it will be deemed reported back without amendment.

You've actually amended the bill today by deleting the clauses, so you will have to report back. You are reporting to the Chamber the work you've done today.

**The Chair:** Shall I report the bill to the House?

**Some hon. members:** Agreed.

**The Chair:** Shall the committee order the reprint of the bill? It doesn't matter.

Fair enough. That's it.

With that, we will suspend as we bring our next witnesses forward.

- \_\_\_\_\_ (Pause) \_\_\_\_\_
- 
- (1645)

**The Chair:** Okay, we'll call the meeting back to order.

We want to thank the Canada Revenue Agency for being here today.

Pursuant to Standing Order 81(5), supplementary estimates (B), for the fiscal year ending March 31, 2008, we want to look at these. They were referred to the committee on Thursday, February 14.

We are pleased you're here. We have James Ralston and Filipe Dinis. Good to have you here. The floor is yours, if you'd proceed with your presentation.

**Mr. James Ralston (Chief Financial Officer and Assistant Commissioner, Finance and Administration Branch, Canada Revenue Agency):** Thank you, Mr. Chairman.

The CRA welcomes the opportunity to appear before this committee once again, this time in consideration of supplementary estimates (B) for 2007-2008.

For the CRA, supplementary estimates (B) comprise a number of separate adjustments to the agency's spending authorities totalling \$439.9 million. The largest single adjustment represents a forecasted net amount of \$437 million, resulting from disbursements to the provinces under the Softwood Lumber Act.

Another significant funding increase identified in these estimates is an amount of \$21.5 million relating to the CRA's assumption of responsibility for the corporate tax administration for Ontario.

These estimates are also reflecting \$22.1 million in funding, which will be used to offset the new approvals identified in these estimates. This funding was previously approved for the offshore trusts and foreign entities initiative, for which the enacting legislation has been delayed and is not expected to be passed by Parliament this fiscal year.

Additional adjustments identified in these estimates are \$3 million for payments made under the Energy Costs Assistance Measures Act and \$550,000 for an advertising campaign to promote the availability of electronic tax services for businesses.

Lastly, I would like to identify that these estimates are reflecting a transfer of \$100,000 to the CRA from Western Economic Diversification, for costs related to the support of the minister's regional office in Saskatchewan from April through August 2007, and an amount of \$200,000 transferred from the CRA to the Public Service Human Resource Management Agency in support of the national managers' community initiative.

The total increase of the adjustments identified in these estimates is \$439.9 million, which represents an increase of 11.4% in the authorities granted to date. With the inclusion of supplementary estimates (B), the agency's authorities will amount to \$4.299 billion.

At this point, I'd be most happy to respond to any questions.

**The Chair:** Thank you very much.

We'll start the questioning with Mr. Pacetti. The floor is yours.

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

Thank you to the witnesses for appearing.

I'm trying to understand why CRA is responsible for paying out the \$437 million for the softwood lumber agreement or act.

- (1650)

**Mr. James Ralston:** In contrast to some of the other arrangements we have—for example, provincial income taxes—where the collections are made by the agency but the payments are made by the Department of Finance, in this case the legislation allowed for the agency to also make the payments. The money represents the proceeds of a charge on exports of softwood lumber. Once received by the agency, the proceeds are shared with the provinces, minus a certain amount for administration.

**Mr. Massimo Pacetti:** So you were the original assessor of these amounts, correct? Is that what you're saying?

**Mr. James Ralston:** That's correct.

**Mr. Massimo Pacetti:** Through the Softwood Lumber Act, or would it be through an excise tax?

**Mr. James Ralston:** No, the Softwood Lumber Act.

**Mr. Massimo Pacetti:** And they would have been charged to exporters of lumber?

**Mr. James Ralston:** Right, in the designated regions of Canada.

**Mr. Massimo Pacetti:** Okay. The same question would be for your next paragraph, where you're requesting an amount of \$21.5 million. Again, why would you be paying that to the tax administration of Ontario?

**Mr. James Ralston:** That's a different kind of item. In the case of the \$437 million, we are passing on these revenues to the provinces. In the case of the corporate tax administration, these are expenses the agency needed to allow us to ready ourselves to take on those responsibilities.

**Mr. Massimo Pacetti:** Why are you paying the tax administration of Ontario?

**Mr. James Ralston:** Effective for tax years after 2008, the Ontario corporate tax will be collected by the agency. These are our costs of developing systems, staffing, and that sort of thing to give the agency itself the capacity to do this work.

**Mr. Massimo Pacetti:** Okay, so you're asking the treasury for \$21.5 million to cover the costs?

**Mr. James Ralston:** Right.

**Mr. Massimo Pacetti:** And they're related. Okay, I'm sorry, I misunderstood.

In the next paragraph, on the \$22.081 million regarding the offshore trust and foreign investment initiative, is that the old Bill C-33, that huge document that was supposed to have been passed and has been lingering for six or seven years?

**Mr. James Ralston:** Unfortunately, I'm afraid I don't know it by its number. I apologize.

My understanding is that the bill in question was being considered, it was passing through the House in the fall, and it did not complete the process. So at this point in time it's not looking like it's going to be enacted prior to the end of the fiscal year.

**Mr. Massimo Pacetti:** Okay.

I have a question related to the budget tabled yesterday. The government introduced a tax-free savings account, and that's going to be another gimmick where the government has introduced this fancy compilation of another separate set of accounts. Do you have any estimates of how much that's going to cost for CRA to administer?

**Mr. James Ralston:** Not at this time.

**Mr. Massimo Pacetti:** Wouldn't the Department of Finance have consulted with you to determine how much those initiatives would cost?

**Mr. James Ralston:** As is our customary practice, now that the budget has been read, we will be working to develop the estimates and will present that to—

**Mr. Massimo Pacetti:** But wouldn't you have done the estimates prior to the budget? Wouldn't the Department of Finance have asked you for costs?

**Mr. James Ralston:** We will expect the costs related to these measures to be likely in the supplementary estimates (A) or (B).

**Mr. Massimo Pacetti:** Wouldn't such a government that's supposed to be so fiscally responsible have done a cost-benefit analysis to determine whether it makes any sense to administratively do some of these initiatives?

**The Chair:** I think he's answered the question.

**Mr. James Ralston:** I don't think I can say much more on that point.

**The Chair:** Do you have another one?

**Mr. Massimo Pacetti:** Well, I don't know. He was answering and then you were—

**The Chair:** He answered it twice and he has the same answer, so I'm not going to let you badger him forever on it.

**Mr. Massimo Pacetti:** I'm not badgering him.

Am I badgering you, Mr. Ralston? I apologize if I am.

I've never been accused of badgering anybody. At six feet five inches I don't have to badger anybody.

• (1655)

**The Chair:** The chair accepts your apology. Do you have another question, or are you good?

**Mr. Massimo Pacetti:** That's it.

**The Chair:** Okay. Monsieur Laforest.

[Translation]

**Mr. Jean-Yves Laforest:** Thank you, Mr. Chairman.

In the 2007-2008 supplementary estimates \$550,000 was earmarked for the Canada Revenue Agency's government advertising programs. What sort of advertising is this? Is it Canada-wide? In certain specific regions? Who is being targeted?

[English]

**Mr. James Ralston:** The campaign is to promote electronic services to small businesses and intermediaries that work with them. The proposed campaign is going to increase awareness of the

electronic tax services, in general, but more particularly we want to speak about the "my business account" and the "represent a client" services.

The idea is that the advertisements have been appearing over the past few months, January through March, and the media vehicles are going to be targeted—so industry publications and that sort of thing.

[Translation]

**Mr. Jean-Yves Laforest:** We're talking about the supplementary estimates, but in the regular budget, I imagine other advertising focusing on individuals is included.

[English]

**Mr. James Ralston:** A few years ago the government centralized the administration of advertising funds like this. So we do not have any amounts in main estimates. We must make a request each year, and after approval we obtain it through the supplementary estimates.

[Translation]

**Mr. Jean-Yves Laforest:** Have you already carried out advertising performance studies, for example on electronic transmission? Is the advertising effective?

[English]

**Mr. James Ralston:** Unfortunately, I'm not personally aware of that information. Our public affairs branch handles that work, not my own, and I just don't have knowledge of it. I'm sorry.

[Translation]

**Mr. Jean-Yves Laforest:** Thank you. That's all.

Thank you, Mr. Chairman.

[English]

**The Chair:** Thank you very much.

Mr. Wallace.

**Mr. Mike Wallace:** I'll start and then share my time with Mr. Chong, if I could. I have only a couple of quick questions.

I'm amazed sometimes at the size of things that we don't see in the main estimates, and then we see them in estimates (B), and so on. But when was the department aware that you'd have to spend this money for the softwood lumber part of the act?

**Mr. James Ralston:** On this particular item, when the Softwood Lumber Act was passed and we started to administer both the revenue side and the payments side, we were aware of the responsibility. The actual amounts that will be dispersed are dependent on the amounts that—

**Mr. Mike Wallace:** So you didn't put anything in the main estimates just because you didn't know what the amounts might be. Is that right?

**Mr. James Ralston:** That's correct. At the time, with an expenditure of this sort, it's preferable to use the supplementary estimates because we have more time to put together a more solid estimate.

**Mr. Mike Wallace:** That's fair.

The advertising program, which Monsieur Laforest was following up on, I'm also interested in. If I understand you correctly, you're gearing it towards small business, for business to use electronic over paper. Is that correct?

**Mr. James Ralston:** Specifically, for example, "My Business Account" is mentioned. That's an opportunity. Really, it replaces an inquiries function. It parallels the "My Account" feature that's geared towards individuals. It allows people to go in and obtain certain information without going through the telephone lines.

• (1700)

**Mr. Mike Wallace:** All right. So it doesn't replace them sending in their actual forms and all the backup information that's required.

I file electronically now and I keep my stuff at home, but that's not exactly what this program is. This program is to get them to use electronic systems on an ongoing basis.

**Mr. James Ralston:** That's correct. There are many services we provide and many ways in which we use technology, some in the processing domain, as you referred to, but also this, which is more in the client service domain.

**Mr. Mike Wallace:** Mr. Ralston, how long have you worked for CRA?

**Mr. James Ralston:** About eight years.

**Mr. Mike Wallace:** So you've been through the budgets process, not just with the present government but with the previous government?

**Mr. James Ralston:** Yes.

**Mr. Mike Wallace:** Okay, thank you very much.

I'll share my time with Mr. Chong.

**Hon. Michael Chong (Wellington—Halton Hills, CPC):** Thank you, Mr. Chair.

I have a question about the assumption of responsibility for the corporate tax administration in Ontario. Are they winding down their offices in Oshawa and elsewhere and we're increasing our resources here, or are you assuming the responsibility for those employees who were employees of the Government of Ontario? How is that working?

**Mr. James Ralston:** As part of the transition, the agency worked with the Ministry of Revenue of Ontario—

**Hon. Michael Chong:** It's the Ministry of Finance.

**Mr. James Ralston:** —sorry, with the Ministry of Finance for Ontario—to work out our human resource requirements and to determine which of their staff might be needed to join the agency. So in fact, pursuant to that agreement we made offers to around 370 individuals, and I believe around 280 individuals have accepted those offers.

**Hon. Michael Chong:** And they'll be relocated to Ottawa?

**Mr. James Ralston:** No. I think for the most part they are going to be working in the southern Ontario region.

**Hon. Michael Chong:** Will the new T2 General for Ontario look substantially different from the old T2 General that did not include the Ontario component?

**Mr. James Ralston:** Unfortunately, again, that's just not my area, and I don't know the answer to that.

**Hon. Michael Chong:** Okay. Thank you.

Those are all the questions I have, Mr. Chair.

**The Chair:** Thank you.

Mr. Christopherson, I don't know if you have any questions.

**Mr. David Christopherson (Hamilton Centre, NDP):** Oh, yes, I do for sure.

**The Chair:** You do?

**Mr. David Christopherson:** You want to believe it.

Hi. It's good to see you again.

I only have seven minutes, so let's move.

The first question is on the \$100,000 that's being transferred from western economic diversification for costs related to supporting the minister's regional office in Saskatchewan. It's probably a straight-up answer, if you could just give it to me.

**Mr. James Ralston:** During the period of time that I referenced, Minister Skelton was responsible for both the agency and WED, so we shared the costs, basically.

**Mr. David Christopherson:** You wouldn't have known that at the time? Are these past costs? I'm trying to catch up with the timing. Is this being done as a supplemental, as opposed to...? You didn't have it in your original estimates, so why did it come up after the fact? Just help me understand the chronology.

**Mr. James Ralston:** I'm being told it's just the timing of the preparation to fit things into the supply cycle.

**Mr. David Christopherson:** Yes, okay.

Your answer's on Hansard here.

This is absolutely straightforward in terms of a shift of ministers and making sure that the proper costs are in the right place? What I'm getting at is that this is not an increase in anybody's budget that came after the estimates?

**Mr. James Ralston:** No.

**Mr. David Christopherson:** Okay. That's what I wanted to get clear. Thank you.

Secondly, last year, if you recall, during the estimates process, I raised a lot of concern about the fact that the revenue agency was no longer going to allow Canadian citizens to pay tax bills with Canadian currency at their local counters. I was quite concerned about it. I raised it in the House. I raised it here. I raised it in my meeting with the minister a few weeks ago. I had a private meeting, and I was given assurances that the policy had now been looked at and that there was a change. I just want to hear from you—the rubber on the road part—that indeed if a Canadian citizen shows up with cash money, Canadian currency, to pay an outstanding tax bill, they can use that said currency at the counter and it will be accepted. Is that correct?

• (1705)

**Mr. James Ralston:** That is correct.

**Mr. David Christopherson:** Say it again, please.

**Mr. James Ralston:** That is correct.

**Mr. David Christopherson:** Thank you very much. I appreciate that.

I have another one.

When the party that's government now was in opposition, it had demanded—and rightly so, because it was a good position—that you stop charging GST on provincial gas tax. It was GST on the PST of gas. Has that changed now? They've been around a couple of years.

**Mr. James Ralston:** I'm sorry, sir, I don't know the answer to that question.

**Mr. David Christopherson:** You don't know the answer to that question?

**Mr. James Ralston:** No, I don't.

**Mr. David Christopherson:** Okay. Will you undertake to get back to me?

**Mr. James Ralston:** Yes, I will.

**Mr. David Christopherson:** Good.

I have another issue. I understand this is being looked at by the committee, and I accept that, Chair, but I'm not a normal member of this committee, and I may or may not get a chance to be a part of that.

I want to have a brief discussion about this JDS stock. I don't pretend to understand all the ins and outs of it, because most of us don't deal with this. There was a stock option plan allowed to these employees, and upon accepting it they now have assumed legal ownership, and they are responsible for any tax on capital gain that might result from their owning it.

In the case of those who sold the stocks as soon as they got them, the difference was that they were worth \$300 and you could buy them for \$3. It looked like a pretty good deal. Those who actually completed the transaction and sold the stock had the profit from that to pay the resulting tax bill. But there were a number of employees who did not sell it but kept it. On paper they now were worth the value of all those stocks and the difference between buying them at \$3 and selling them at \$300. Before they did, the tech bubble blew up, and they were worth much less.

These were just ordinary working people. We were not dealing with people who were major investors and who were dealing with big money or who had accountants and all that. We're talking about ordinary working people making \$35,000 to \$45,000 a year. If they said yes and took ownership of the stock but didn't sell it, they then ended up with a resulting tax bill—and in the case of some of them it was over \$100,000—for stock that was not worth the money on which the formula was based.

You allowed an exemption of some sort that allowed that to be reversed, and that's, on a practical level, a good thing, but it's raised a whole lot of problems about equal treatment for others.

Number one, how much of the story do I have right? If it needs to be straightened out, please do so. Secondly, was it the position of your agency that this not take place? Was that a recommendation that you would have made?

**Mr. James Ralston:** I'm sorry, sir; once again you've asked a question I don't know the answer to, and I would have to again take it under advisement and have my colleagues look at it.

**Mr. David Christopherson:** I don't want to be unfair to the gentleman, but I do want to make a point that normally when people roll in here they've got the whole Russian army with them, and I've asked three questions and I didn't get an answer to any of them.

I leave that with you, Chair. Thank you, sir.

**The Chair:** Thank you very much.

Next is Mr. McCallum—oh, you're going to go first.

**Mr. Massimo Pacetti:** Yes. It's just for 30 seconds. It's just to answer.

For that last motion, we requested the minister to appear so that he could answer those questions, and then we were going to ask the CRA. That was just to provide that information.

**The Chair:** Mr. McCallum, If you have any questions, please go ahead.

**Hon. John McCallum (Markham—Unionville, Lib.):** I might have missed something, as I wasn't listening to every word, but I had a question about this new tax-free savings account. This may have been one of the ones he answered.

I would have thought, since I know a bit about this as a former revenue minister, that when a new tax measure comes in, the finance department basically decides on the policy and CRA administers it. My question is about the administration of this tax-free savings account. Can you tell us anything about whether work has been done on that, and whether there's any information about the cost of administration?

**Mr. James Ralston:** My response was that for every budget, every time there are measures that will affect the cost to the agency, following the announcement we work within our own agency to determine what we believe the incremental costs of the measure would be. Not all measures will involve costs. Some do; some don't.

In my branch, the finance branch, we work with my operational colleagues to make estimates of those costs. Then we ultimately present them to the Treasury Board for consideration. Ultimately, after all the due diligence is done, they will appear in estimates. They will most likely appear initially in supplementary estimates, and then ultimately in main estimates.

• (1710)

**Hon. John McCallum:** Does that mean tax measures are announced in the budget, but at that moment there is no idea of the cost of administering those measures because that work is done subsequent to the budget?

**Mr. James Ralston:** For the purposes of the augmentation of the agency's budget through the main estimates, the detailed work takes place after the budget. We will be beginning that very soon.

**An hon. member:** As always, even when you were minister.

**Hon. John McCallum:** I'm not trying to be partisan—"as always", he says.

This is the normal process, I would assume. Yes. Thank you.

**The Chair:** Thank you very much.

I don't see any other questioners.

With that, we would like to thank you for coming forward.

We can do one of two things, and I will leave this up to the committee. We can either have a vote that we've examined the estimates and report it to the House; or we can just leave it and it will

be done automatically. I really don't have a preference one way or the other. It's up to the committee. At the end of the day, it doesn't make an awful lot of difference. If that is the case, then we'll leave it.

I want to thank you for coming in.

With that, the meeting is adjourned.

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