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Chair: Mrs. Kelly Block



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• (1105)

[English]

The Chair (Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC)): I call this meeting to order.

Good morning, everyone. Welcome to meeting number 37 of the Standing Committee on Public Accounts. The committee is meeting in public today and is being televised.

Pursuant to Standing Order 108(3)(g), the committee is meeting today to study “Report 7, Canada Emergency Wage Subsidy”, of the 2021 reports 6 to 9 of the Auditor General of Canada.

Today's meeting is taking place in a hybrid format pursuant to the House order of January 25, 2021. Therefore, members may be attending in person in the room or remotely by using the Zoom application.

Though I know we are all familiar with how our meetings work, I do need to remind members and witnesses of a few rules that we must follow.

Interpretation services are available for this meeting. You have the choice, at the bottom of your screen, of either “Floor”, “English” or “French”.

Before speaking, click on the microphone icon to activate your own mike. When you are finished speaking, please put your mike on mute to minimize any interference. When speaking, please speak slowly and clearly. Unless there are exceptional circumstances, the use of headsets with a boom microphone is mandatory for everyone participating remotely.

Should any technical challenges arise, please advise the chair, and note that we might then need to suspend for a few minutes as we want to ensure that all members are able to participate fully.

Now I'd like to welcome our witnesses.

Joining us today from the Office of the Auditor General are Andrew Hayes, deputy auditor general, and Philippe Le Goff, principal.

From the Canada Revenue Agency, we have Bob Hamilton, commissioner of revenue and chief executive officer; Ted Gallivan, assistant commissioner, compliance programs branch; and Maxime Guénette, assistant commissioner and chief privacy officer, public affairs branch.

From the Department of Finance, we have Michael Sabia, deputy minister; Andrew Marsland, senior assistant deputy minister, tax

policy branch; Isabelle Jacques, assistant deputy minister, law branch; and Maude Lavoie, director general, business income tax division, tax policy branch.

I have been informed that Mr. Hayes won't be making an opening statement, so, Mr. Hamilton, you have five minutes, and then I'll go to Mr. Sabia for five minutes.

[Translation]

Mr. Bob Hamilton (Commissioner of Revenue and Chief Executive Officer, Canada Revenue Agency): Thank you, Madam Chair.

I am happy to be with you once again, to discuss “Report 7—Canada Emergency Wage Subsidy”, released in spring 2021 by the Office of the Auditor General of Canada, or OAG.

With me today are Ted Gallivan and Maxime Guénette, whom you already introduced.

My focus today is on the response of the Canada Revenue Agency, or CRA, to the motion adopted during meeting 27 of the Standing Committee on Public Accounts related to its study on report 7.

[English]

The motion requested that both the Department of Finance and the CRA provide the committee with:

all studies, data and analysis used for the implementation of the Canada Emergency Wage Subsidy, that these documents be provided to the committee with redactions for Cabinet confidence and personal information, and that these documents be provided to the committee no later than May 27, 2021.

Upon adoption of this motion—

Mr. Lloyd Longfield (Guelph, Lib.): I'm sorry to interrupt, but we need translation, please.

Mr. Bob Hamilton: Should I pause?

The Chair: Yes, please.

Mr. Hamilton, can you start again from where you left off, and we'll see if we've corrected the problem?

Mr. Bob Hamilton: I'll start where I left off. It's getting close to the end.

Upon adoption of this motion, the CRA immediately set to work to meet the committee's expectations. I acknowledge the efforts of numerous employees across the agency, representing both a significant and a necessary time investment to perform this work within the stipulated deadline. Their effort underscores the seriousness with which the agency takes its duty to be both transparent and accountable to Parliament and to Canadians.

Thank you again. We welcome any questions you might have today.

The Chair: Thank you.

We will now go to Mr. Sabia for five minutes.

Mr. Michael Sabia (Deputy Minister, Department of Finance): Thank you, Madam Chair and members of the committee, for your invitation today.

I am pleased to be here along with some of my colleagues from the Department of Finance: Andrew Marsland, whom you all know from previous meetings; Isabelle Jacques, our chief counsel; and Maude Lavoie, the director general of business income tax in the department.

We're here today, obviously, in relation to the committee's request for studies, data and analysis used for the implementation of the Canada emergency wage subsidy.

• (1110)

[Translation]

Through this initiative, more than 5.3 million Canadian employees have had their jobs supported. Since its introduction, the program has been improved to make it accessible to a broader range of employers by including those with a revenue decline of less than 30% and providing a gradually decreasing subsidy to all qualifying employers.

Most recently, budget 2021 proposed to extend the program, so that it would continue supporting Canadians until September 2021. This would be accompanied by a gradual decrease in the wage subsidy rate, beginning in July, to ensure an orderly phase-out of the program as vaccinations are completed and the economy reopens.

[English]

The department's provision of the documents requested by the committee clearly—and obviously, I think—reflects our recognition of the importance of the role of the public accounts committee in providing oversight to government programs and initiatives.

In providing you with these documents, we have been guided by the committee's request, and I quote, “that these documents be provided to the committee with redactions for Cabinet confidence and personal information”.

The department's approach also respects our legal obligations and duties as public servants, while of course respecting the principles of the Access to Information Act.

I should say that it has been and continues to be quite a substantial exercise to review the hundreds—indeed, thousands—of pages that are relevant here. Andrew's team has worked and continues to work flat out. On that basis, we do intend to provide you with a final set of documents, essentially highly detailed spreadsheets—*en français, les feuilles de calcul*—by the end of this week.

In doing this work on behalf of the committee, we have retrieved all the studies, the data and the analysis provided to the Auditor General in its audit of the analysis and implementation we undertook in the Department of Finance and the Canada Revenue Agency related to the wage subsidy. I want to emphasize that all of these

documents have been provided to the Auditor General in a manner consistent with the Auditor General's right to access cabinet confidences and secret documents. This has, we believe, and evidently, enabled the Auditor General to fully assess the department's performance, as is her role as an officer of Parliament mandated to perform this important work on behalf of parliamentarians.

Let me just reiterate that of course we are pleased to note the Auditor General's conclusion that the department worked within very short time frames to provide decision-makers with information to assist them in developing the wage subsidy and that it subsequently provided sound and complete analysis to inform adjustments to program.

[Translation]

In the department's initial work in designing the wage subsidy, it collaborated intensively with the CRA to assess how the program could be implemented quickly. I wasn't there, of course, but clearly, officials conducted this analysis with unprecedented speed. The imperative at that time was to get help to our workers and businesses when they needed it. As I have previously conveyed to the committee, I firmly believe this was the right priority.

Following the initial launch of the program, the government also proposed subsequent adjustments to the subsidy that were informed by the department's sound and complete analysis, as concluded by the Office of the Auditor General, as well as input from businesses and other employers.

As you can see from the quantity of material provided to the committee, this analysis was extensive in its scope.

• (1115)

[English]

As I said a moment ago, this analysis supported important improvements to the program. The department's agility and that of Revenue Canada in moving this program into place quickly have played a very important role in helping to stabilize the Canadian economy through what has been obviously a very difficult period.

I very briefly want to again give credit to the public servants in both the Department of Finance and the Canada Revenue Agency for their efforts in making this a reality, and making it a reality quickly.

To finish up, at the finance department we remain obviously very focused on supporting Canadians and Canadian businesses through the COVID-19 pandemic. At the same time, as the vaccination process continues to move forward, we are also increasingly very focused on what comes next on the step-by-step opening of our economy, the return to work for many Canadians and a full economic recovery.

With that, Madam Chair, I and my colleagues would be very pleased to respond to any questions you or your colleagues may have.

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

We will now go to our first round of questioning, starting with Mr. Lawrence for six minutes.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Thank you very much. Thank you for your time today. I appreciate the witnesses' testimony there so far.

My questions will start with Mr. Hamilton.

For your benefit, Mr. Hamilton, I'm going to be referring to pages starting at page 276 in the documents, as I have them, and going to page 280.

On page 277, it says that there was about \$77 billion of CERB payments and there was a total potential exposure of tax risk of up to \$20 billion. I understand that to be the amount of money the CRA would suspect that they would collect against these CERB benefits. Is that correct, Mr. Hamilton?

Mr. Bob Hamilton: I believe that is correct.

I have the document electronically, so I'm just trying to pull up page 276. Perhaps I'll ask my colleague, Ted Gallivan, to take that on while I search for the number.

Mr. Philip Lawrence: Yes, that's no problem. That's why I wanted to give you a heads-up. I tried to stall there for you, Mr. Hamilton.

Mr. Ted Gallivan (Assistant Commissioner, Compliance Programs Branch, Canada Revenue Agency): Madam Chair, what I would say is that this is an internal document that we produced based on a number of assumptions. Our own internal analytics folks would have made a number of assumptions to produce that analysis. That is an estimate to help guide the level of effort that was necessary. It's not a projection but perhaps an outer limit that we used for planning purposes to allocate resources. It's based on assumptions, and only time will tell whether those assumptions will be proved to be correct.

Mr. Philip Lawrence: That's actually my next question. I'm wondering if time has started to tell, as it were, as a majority of Canadians have now filed their tax returns. How much in tax revenue did you actually collect on the CERB benefits, if you have those numbers? If not, I assume that's a number you could access for us.

Mr. Ted Gallivan: That's correct. Returns still continue to be processed and reassessed, so it would be a number that we could provide through the clerk of the committee to the members.

Mr. Philip Lawrence: Perfect.

Further to that, you said that there was \$1 billion considered at risk of default. I'm wondering if you gentlemen would be kind enough to unpack what that means. Does that mean that Canadians are just not paying their taxes, or what was the risk that you highlighted there?

Mr. Ted Gallivan: I'm not sure if the commissioner wants to come back or if he wants me to take this one.

Mr. Bob Hamilton: That would be fine, Ted, if you wanted to take that question.

I think the general point that will apply to questions in this domain is that, as Ted said, these are not estimates but rather indications that we set up at the beginning to guide our activities. We are still in the process of receiving tax returns. More data is coming in all the time.

With that backdrop, Ted, go ahead.

Mr. Ted Gallivan: This information that we would have provided to the OAG again reflects again our planning. We would have looked at the historic behaviour of people at these income ratios in terms of their ability or propensity to pay, and run it through analysis.

In other words, as we gained experience with who was claiming these benefits and what the amounts were, we back-tested that against historical data to see what the profiles of those kinds of taxpayers were. That led us to a \$1-billion number. Again, this led us to consider whether we would need 50 people on this, or 5,000 people. That was the purpose of that kind of analysis.

● (1120)

Mr. Philip Lawrence: I'm sorry. I didn't quite follow that last comment. It intrigues me a bit that you needed 50 people or 5,000. Do you mean in collecting the taxation?

Mr. Ted Gallivan: That's correct. It would have been relevant for our accounts receivable folks to have a heads-up around how much debt they would have to collect and how much debt would have been uncollectible. What we were trying to do with these early estimates was decide how much of a workforce we needed to assign to the different parts of administering the CERB.

Mr. Philip Lawrence: Okay.

As per the earlier question, I'd like to know what the actual amount defaulted was, even if you have a partial number. I realize that you may not have it with you today, but perhaps we could get that within three or four weeks, or whatever the standard is for our committee. I'm sure the chair could direct us. It's just to get that number on where we are right now. I understand that not everyone has their tax filing in.

Would that be appropriate?

Mr. Ted Gallivan: If I could clarify through the chair, at this point we would probably have the accounts receivable, the gross amount. Usually it takes several years until we start to do writeoffs or writedowns, but we can absolutely get you the numbers as they stand today.

Mr. Philip Lawrence: Thank you. I appreciate that.

Then, because I'm a Luddite and still using paper here, if I flip the page, I have on page 278 a large portion of redacted documents underneath "Findings".

Some of the redactions clearly make sense. There are names and there are technological services that you can sort of read into, and I understand why the minister would not give this away, but this redaction doesn't make any sense to me prima facie, and I'm wondering if you can provide me with some information to reassure me that this is a reasonable redaction here.

The Chair: We need a very short answer, as we are running out of time.

Mr. Philip Lawrence: Madam Chair, I can come back. I'll be in the next slot, so I will come back and ask this question again.

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

We will now go to Mr. Blois for six minutes.

Mr. Kody Blois (Kings—Hants, Lib.): Thank you, Madam Chair, and thank you to our witnesses for appearing before our committee again. You've been very generous with your time. Obviously we have a role as parliamentarians to hold the government to account, but to Mr. Sabia and Mr. Gallivan and others, we know you're busy trying to drive government programming today as well.

Perhaps I'll just continue with Mr. Gallivan, because he was answering some of the questions from Mr. Lawrence. Mr. Lawrence was talking about some of the early projections or numbers relating to the CEWS program and some of the concerns around the uncertainty that existed.

Is it fair to say that the numbers that were being quoted on those pages were from the early midst of the pandemic, when there was a lot of uncertainty about the extent of the economic harm that could have been caused to the economy and also about what this was going to represent for small businesses across the country?

Mr. Ted Gallivan: That's correct. That document was dated August 2020. I think we were still before the second wave, still unsure of how long the programs might last, and I think also still trapped in the twin pressures of sustaining Canadians and the Canadian economy and making quick payments, and then exercising our role and my role as head of compliance at the CRA to make sure there was no leakage in the system. We were kind of balancing the two. It was an August 2020 report that was being quoted.

Mr. Kody Blois: Okay. That's helpful in terms of the date.

I think all parliamentarians can appreciate the nuance of not knowing every month how the health response was going to pan out across the country and how that would really dictate some of the viability of those small businesses and their ability to pay back the money that the government was trying to provide to bridge businesses through to the other side of this pandemic. Based on the vaccine rollout and the way we're moving forward, that will be relatively soon, hopefully.

Obviously we're talking about the report from the Auditor General about the wage subsidy, so I had the ability to go back. Of course, as parliamentarians, we only get a short time to ask questions—five or six minutes per round—so I want to revisit some of the elements that were in that report. One of the recommendations was recommendation 7.35, which talked about a full auditing and accounting of these programs.

Again, as Mr. Sabia mentioned in his remarks, these programs are still ongoing, at least until September. I understand that there's a legislative authority to extend them if necessary. Hopefully, that won't be the case. Can you speak to the full accounting? I presume that work may already be started, but it's going to be largely finished once the actual program winds up in September, presumably.

Maybe that's a question for Mr. Sabia.

• (1125)

Mr. Michael Sabia: Yes, that's correct. This has been a major initiative of the government. I think that by the time all is said and done with this program, its total contribution to the Canadian economy and to protecting Canadian jobs will be something in the order of \$100 billion to \$110 billion. It's a very substantial contribution.

As a result of that, we are very supportive of the recommendation from the Auditor General that we do a thorough analysis of the program, and that is our intention. Our intention is to publish that analysis in a report that we prepare, the report on federal tax expenditures in 2022, which will give us time to have the program wind down. As you say, hopefully it will be winding down on schedule, consistent with continuing rollout of the vaccination program as we put this pandemic behind us. That will give us some time to assess the program, and we will publish a complete economic analysis of the wage subsidy program at that time.

Mr. Kody Blois: Thank you, Mr. Sabia.

I'll move to Mr. Hamilton.

I don't have the blues right in front of me, but one thing that caught my interest last time was that a lot of committee members were talking about social insurance numbers and whether that was something we could tie in to make sure there was an accounting. I know the government systems are complex. Even department to department, there is not always perfect harmony between the systems that we operate. Certainly, I know that the government is working to be able to bridge those gaps.

Can you speak about the nuances and what your perspective was and what you remember back during this time in late March, early April, when things were really changing day by day? Every time that we put a particular nuance on a program, I presume it could slow the program in its response even by a day or two, depending on the nature of said nuance, as we try to make sure we have that accounting in place.

Mr. Bob Hamilton: At the time, we did think about whether it would be prudent to ask employers to provide employees' social insurance numbers so that we could match them up with CERB recipients. There were basically three reasons that we thought we could not do that, and you've referenced at least one of them.

The IT build to do that was going to be significant, so we would have had to delay the implementation of the CEWS, the wage subsidy. That was one factor: how long the delay would be at a time when people were anxious to receive money to keep employees on strength.

The second was the burden that it would place on the businesses to be able to generate that information for us and send it to us in a way that was useful in a timely manner. At that time, there was a consideration of how much of a burden we wanted to place on the businesses in order for them to be eligible for this relief.

I think the third factor that was in our minds was that we knew we would have a capacity, even if we couldn't do the match right up front, to come back later. We've always said that a part of our integrity plan on this issue was to do whatever verification we could up front in the context of what was feasible, but knowing that we'd have an opportunity to come back after the fact and compare the information to make sure that the right people got the money.

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

We will now move on to Ms. Vignola for six minutes.

[*Translation*]

Mrs. Julie Vignola (Beauport—Limoilou, BQ): Thank you, Madam Chair.

Ladies and gentlemen, thank you for being here today.

Approximately 28% of employers who applied for the subsidy in 2020, equivalent to roughly 62,000 applicants, did not file a GST/HST return for 2019.

For 2020, 15% of recipients who had to file a GST/HST return between January and June 2020 were non-filers.

If the CRA did not have all the information required to verify that the business needed the subsidy, shouldn't the agency have just waited until it had the information to issue the payments, instead of trying to recover overpayments afterwards?

• (1130)

Mr. Bob Hamilton: Madam Chair, I will answer first, and then, I will ask Mr. Gallivan to provide additional information.

There is no doubt that we did not have all the necessary information at the beginning. As you mentioned, some employers had still not filed their GST/HST returns. However, we had to start delivering the program and have a process in place to confirm the business's eligibility.

There are reasons why a business would not have filed its GST/HST return. Some employers submit the forms annually, and others do it on a monthly basis.

Overall, we agree with the Auditor General's recommendation that the agency should examine its processes and ensure it adopts a more efficient approach. If any improvements are needed, we will make them. That is part of our action plan.

Mrs. Julie Vignola: Thank you.

Report 7 states that 28% of the subsidy applicants were annual non-filers, and 15% were monthly and quarterly non-filers. Are those numbers comparable to non-pandemic years?

Mr. Ted Gallivan: The answer is no, Madam Chair. The numbers went up. They were already higher than we would have liked. The reason is that we extended the deadline for filing returns because of the pandemic.

Coming back to your first question, I want to point out that we also used payroll deduction information to validate applications. Since the wage subsidy was tied to payroll, source deduction information really helped us eliminate the risk repayment.

Given that we had extended the deadline for filing GST/HST returns because of the pandemic, we had to be consistent and proceed on the basis that we would not have them.

Mrs. Julie Vignola: I see. Thank you.

Do you have an idea of what it will cost to recover overpayments?

Mr. Ted Gallivan: I'm reluctant to answer because it covers a number of categories.

Yes, we have an idea of the marginal cost of program administration, legitimate errors and aggressive planning. A single figure covers a variety of errors or discrepancies.

That makes it difficult to break down the extra costs arising from dual applications alone. That said, we certainly have estimates of the additional costs incurred as a result of administering the program.

Mrs. Julie Vignola: What do your estimates say? What will it cost to recover the overpayments?

Mr. Ted Gallivan: To help you better understand the estimates, I would prefer to provide a cost breakdown, because different numbers reflect errors and payment recovery.

Mrs. Julie Vignola: Thank you for providing that.

My fellow member brought up the risks stemming from Canada's COVID-19 economic response plan and your tax risk exposure estimate of \$20 billion, including \$1 billion at risk of default.

Why did you not set up a direct collection system? After all, such a system is already in place for the employment insurance program.

• (1135)

[*English*]

The Chair: Please provide just a short answer.

[*Translation*]

Mr. Ted Gallivan: Given the sheer volume of applications, an unprecedented number, the agency had to set up an emergency program to support the existing program, which could not handle the volume.

[*English*]

The Chair: Thank you very much, Ms. Vignola.

We will go to Mr. Green for six minutes.

Mr. Matthew Green (Hamilton Centre, NDP): Thank you very much.

Through you, Madam Chair, to Mr. Sabia, according to the OAG report on Finance Canada, the department “performed a partial analysis of the initial Canada Emergency Wage Subsidy program because the department had only a few days and did not have the full information required to provide a formal analysis.”

Did Finance Canada propose this program and its main parameters to the government, or vice versa?

Mr. Michael Sabia: Madam Chair, I will pass this on to my colleague Andrew Marsland, who was there. He lived through this period, and of course I did not.

Just very briefly, however, these things are always a combination of effort between the government and the public service. I think that was very much the case here. There was clearly a need to address the issue of maintaining the employment connection between employers and their employees. We've seen in the rebound of the Canadian economy the value of having maintained that relationship, which has greatly reduced the period of time for bringing people back to work, as the economy has at least partially reopened to date.

From our point of view, from a macroeconomic point of view, this program is certainly delivering on what was expected at the time. I think from both a government point of view and a public service point of view, there was a need to provide something that would protect that relationship.

If I can, I'd be more than happy to—

Mr. Matthew Green: No, that's quite all right.

Through you, Madam Chair, to Mr. Sabia, the first page of 151 documents that were provided to us with data on the Canada emergency wage subsidy talks about “eligible employers”. The second bullet point caught my eye: “Canadian-controlled private corporations, including co-operative corporations, with less than \$15 million in taxable capital in the preceding taxation year”.

Mr. Sabia, can you help explain that to me? It sounds like companies such as Air Canada, Imperial Oil and many of the other megacorporations that took wage subsidies and then paid out astronomical CEO bonuses and dividends to shareholders wouldn't necessarily fit that description. Would you care to comment?

Mr. Michael Sabia: Madam Chair, I'd like to turn to my colleagues Andrew Marsland or Maude Lavoie on that point.

Mr. Andrew Marsland (Senior Assistant Deputy Minister, Tax Policy Branch, Department of Finance): Madam Chair, perhaps I can take this one.

I believe this document is a comparison at a point in time of the wage subsidies in place in various jurisdictions. As I think the committee will recall, there was a predecessor to the Canada emergency wage subsidy, the temporary wage subsidy, which provided a 10% subsidy—

Mr. Matthew Green: Is it safe to say about the initial recommendation, then, based on the testimony we've heard today—the initial recommendation being a recommendation from both the government and the public service—that the initial analysis identified that this wage subsidy ought to go to companies with less than \$15

million in taxable capital in the preceding year, and then at some point in time a decision was made to expand the program?

If that's fair to say, based on the testimony, my question is this: Who made the direction to expand the program to include companies like Air Canada, Imperial Oil and other megacorporations that took wage subsidies and then paid out astronomical payments to shareholders and in CEO bonuses?

• (1140)

Mr. Andrew Marsland: Madam Chair, perhaps I can respond to that.

As I said, in the very initial phases of the pandemic, there was a 10% wage subsidy in place applying to small business. As the situation significantly increased, the wage subsidy was expanded into what is now the Canada emergency wage subsidy, which provided significantly more generous subsidies of 75%, up to a certain limit, across the economy. It was more an evolution of programming as the situation developed a year ago—

Mr. Matthew Green: Madam Chair, thank you. I'll accept that answer.

What I want to do now is point to page 9 of the Department of Finance's dataset, which is under the GBA+ departmental summary. In it, we see a note that there were indirect beneficiaries, that both genders and demographic groups are expected to benefit indirectly from the proposal. The department, of course, identified higher-income people. Then, in the explanation, despite all the redactions, this one is clear: “Owners of eligible entities could benefit from the wage subsidy via an improvement of their bottom line. While no information is available on the shareholders and owners of entities affected by the proposal, since it has broad application”, it says, “aggregate data”, and then it goes into a breakdown.

Is it safe to say that page 9 of the Department of Finance dataset identified early that shareholders would be benefactors of this subsidy? Again, what analysis was put in place to recognize that a program that was ultimately designed for workers would end up being siphoned off to shareholders, who add no labour value to the economic recovery as it relates to the wage subsidies?

The Chair: I'm sorry, Mr. Green. We are well over time to receive that answer. Would you like to have that sent to the committee in writing?

Mr. Matthew Green: I would love that, and I would suggest that the witness prepare the response for my two-and-a-half-minute round, because I'll go right back to that question. It's important question, and it's important to have an answer to on the record. Thank you.

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

We will now go to Mr. Lawrence for five minutes.

Mr. Philip Lawrence: Thank you very much.

Mr. Hamilton, we'll just go back to where we were. I will remind you that on page 278 there, underneath "Findings", there's a paragraph that's completely redacted. If you can't provide me with what's in that paragraph, I'm hopeful that you can provide me with some of the reasons it was redacted.

Mr. Bob Hamilton: Sure. Perhaps what I will do, Madam Chair, is just turn it over to Max Guénette, who is the head of our privacy and public affairs branch. He deals primarily with questions concerning redactions, etc., so I'll turn it over to him.

Mr. Maxime Guénette (Assistant Commissioner and Chief Privacy Officer, Public Affairs Branch, Canada Revenue Agency): Thanks, Commissioner. Thanks, Madam Chair.

There are two sections of the Access to Information Act that were invoked, the principles of which were invoked for redactions in the package that you see.

In the case of the particular paragraph that is being referenced, it would be paragraph 16(1)(c) that applies. This is information whose disclosure could jeopardize our ability to enforce the law, essentially, so the information that you would see redacted, without getting into the details of what's behind that particular paragraph, is information that would telegraph perhaps a bit too much to the general public about the ways in which we'll conduct our audits or the areas where we would focus more of our attention.

The way that these redactions were applied, of course, was by access to information folks within my team with delegated authority. Even though this is not an access to information request, these are the principles that we use, and when we make recommendations, we would check in also with the experts—in this case, in Mr. Gallivan's shop—to validate that the risk of injury is what we understand it to be.

In this case, maybe Mr. Gallivan would have something to add to that.

Mr. Philip Lawrence: No, I think that's fine. My time is short here, and I do appreciate that answer.

With respect, I understand that there is an obligation, obviously, to enforce and collect, but there's also an equally important obligation to be transparent and report that back to our taxpayers.

On that same page, page 278, another thing that I found of interest was that it said that three million CERB recipients, or almost 40%, had an employer who received the CEWS, and they put the risk of double-dipping high in the report.

I would love to hear, if not now, if that concern was validated by the findings. How is it possible that an employer could be getting CEWS while an employee is getting CERB?

• (1145)

Mr. Ted Gallivan: Maybe I'll start quickly.

Mr. Bob Hamilton: Yes. Go ahead, Ted, yes.

Mr. Ted Gallivan: The most common scenario—you have to put your mind back to the pandemic period—would have been employees who were laid off before the wage subsidy program was announced. Then, when the wage subsidy program was announced, they were brought back retroactively. That was a deliberate design

feature of the wage subsidy program to kind of maintain employment.

A very early example of how you could be—legitimately, through no fault of your own—in double receipt would have been if, when you were laid off; you claimed CERB, and then your employer subsequently claimed the wage subsidy and brought you back onto strength retroactively and gave you your normal paycheque. That would be an example.

We're still working through how many of the various scenarios have manifested themselves, so I think it's too early to comment on how many different scenarios there are and what the total dollar value is of the double claims. It's not possible to tell, without a detailed examination of somebody's T4 history, which sources of income came from which employer. Time will tell.

Mr. Philip Lawrence: However, that's something you will be doing. Fair enough.

Mr. Ted Gallivan: That's correct.

Mr. Philip Lawrence: With respect to the CEWS, there was an audit, or at least a pilot of an audit. We actually had an opposition motion against bringing that forward, because it was quite taxing on our small business owners during the pandemic. However, I saw that quite a few of your projections were reliant on those CEWS pilots coming on for post-validation.

What is the plan now? Will we be going forward with a similar audit that, as you said, had pages and pages and was extremely cumbersome for small business owners during a pandemic? What is the solution, now that it appears you've abandoned that pilot?

The Chair: We need a very short answer, please.

Mr. Bob Hamilton: Madam Chair, I think Ted would be able to provide a better answer, but he may come back to it.

I think the pilot did give us some very useful information. We actually think it was an innovation that we will use to try to get more information to help future audits. I wouldn't say that we've abandoned it; I think we're using the information. It is in our action plan to use that information to inform future audits and where we might focus from a risk-based perspective, so we are far from abandoning it.

To your point on burden, we did try to tailor it to something that a business could do within the context of a pandemic. Probably our initial attempt with some auditors was not as sensitive as it could have been, but we fixed that fairly quickly.

The Chair: Thank you, Mr. Hamilton.

We will now go on to Mr. Fergus for five minutes.

[Translation]

Mr. Greg Fergus (Hull—Aylmer, Lib.): Thank you, Madam Chair.

I want to follow up on a question Mr. Lawrence asked. I think Mr. Gallivan would be the best person to answer.

Mr. Gallivan, you should know that my question concerns pages 000277 to 000280. I want to give you a heads-up, so you can prepare.

I, too, would like to thank the CRA and Department of Finance officials for their tremendous work. Their effort should be recognized. The Auditor General pointed that out as well.

Last year, in the midst of a public health emergency, you managed to create two programs from scratch in difficult conditions. Frankly, I tip my hat to you and your colleagues.

Mr. Gallivan, I want to start with page 000277. It states that, 10 months ago, the government was at risk of not recovering \$1 billion. In your answer to Mr. Lawrence, you said that was well before CERB had been extended.

Can you give us an update on how much is at risk of default, now that CERB has been extended?

• (1150)

Mr. Ted Gallivan: Thank you, Madam Chair.

The question has been asked. I want to point out that I will be talking about risk categories.

Since then, the \$20 billion has still not been repaid. The money is taxable, so it comes down to the math.

There are various categories. As I mentioned, a number of people who were paid twice, through their employer and through the program, have set aside money. Hundreds of thousands of Canadians have already repaid the money they owed, but we are concerned about low-income individuals; that group was actually the focus of a parliamentary debate. It's an area of major concern. Those who were not eligible for CERB because they had not earned at least \$5,000 in employment income will have a very hard time repaying the money they owe.

Right now, we are putting the people who owe money into categories based on their repayment ability and we are coming up with ways to address each of those categories.

As I said, the government is owed \$20 billion, and our estimate, based on past experience, is that 5% will never be recovered.

Mr. Greg Fergus: I would think your estimate, which is based on past experience, takes into account the possibility of six-year repayment plans.

Mr. Ted Gallivan: Yes, absolutely. We have a variety of payment arrangement options, as indicated in the document you referred to. We work with taxpayers so they can spread the payments out over a number of years. It can take four, five or six years to clear the debt owed to the government.

Mr. Greg Fergus: According to last year's data and given the circumstances, would you say the percentage of debt to be written off rose, fell or stayed the same?

Is it still 5%?

I know it's not an easy question, but I am genuinely curious.

Mr. Ted Gallivan: At this point, it would be speculation if I were to answer, but we can look to other debts to get an idea: \$1 billion in business debt, \$1 billion in personal income tax debt and \$1 billion in GST/HST debt. Then we can determine whether recovery is worthwhile.

The opportunity cost comes into play. We will take a look at the emergency programs alongside all the other programs we administer and make choices from there. We determine the opportunity cost on the basis of the resources required, since we already have billions of dollars in accounts receivable annually.

Come the fall, the real challenge for us will be making choices.

[*English*]

The Chair: Thank you very much.

[*Translation*]

Mr. Greg Fergus: Thank you.

Thank you, Madam Chair.

[*English*]

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

We will now go to our two-and-a-half-minute round—a very short round—starting with Ms. Vignola for two and a half minutes.

[*Translation*]

Mrs. Julie Vignola: Thank you.

I noticed in one of the documents you provided, somewhere between pages 37 and 44, that the validation measures were developed with a view to balancing integrity and timely payments. However, the information on the number of available employees and the percentage of claims submitted was redacted.

Why was that percentage redacted? After all, it is possible to calculate the number using the information on page 1 of the documents you provided.

Why were the figures related to businesses also redacted? There again, it is possible to calculate them using the information on page 1 or the Auditor General's report.

• (1155)

Mr. Maxime Guénette: Madam Chair, I'm not sure whether the member is referring to Department of Finance documents or CRA documents.

Mrs. Julie Vignola: The first document in the electronic binder. I believe it's from the Department of Finance. It's 52 pages long.

I can come back to it afterwards.

[English]

The Chair: Can any witness identify who would be responsible for the document that Ms. Vignola has highlighted?

[Translation]

Mr. Maxime Guénette: Do you mind repeating which page it was?

Mrs. Julie Vignola: It's somewhere between pages 37 and 44, in the first chunk of documents. Give me a few moments, and I'll tell you the exact page.

Mr. Ted Gallivan: Madam Chair, perhaps I can try to answer the member's question.

The coverage level is something we worry about at the CRA. If you look at our annual report to Parliament and do the calculation, you see that our coverage level for small- and medium-sized businesses is quite low, below 5%. However, we don't like providing that calculation because we don't want people to know that our coverage level is very low.

Given how low the audit coverage level is, the information is redacted so that people do not realize that the likelihood of them being audited is extremely low. We don't want a situation where they decide to take a chance, on the basis of that information, and not file a return or adopt an aggressive approach.

Even though it is possible to figure out some rates, we worry that disclosing the figures might encourage people not to file.

[English]

The Chair: Thank you very much.

[Translation]

Mrs. Julie Vignola: Fine, but anyone with any cunning at all is going to figure it out.

Thank you.

[English]

The Chair: Ms. Vignola, I did stop the clock and started it again.

I will now move on to Mr. Green for two and a half minutes.

Mr. Matthew Green: Thank you.

On page 40 of the datasets that have been disclosed to us, there's a section on compliance risks and strategies, with a subheading "Deterrence", which says that "messages from the Minister of Finance stated that there would be severe penalties for those who take advantage of the CEWS and that the CRA would be enabled/equipped to identify and address cases of abuse."

Madam Chair, through you to Mr. Sabia, would he not agree that companies that received the wage subsidy and then went out to pay astronomical bonuses and dividends to their CEOs and shareholders were taking advantage of the CEWS? What can be done to address these cases of abuse?

Mr. Michael Sabia: Madam Chair, I will turn that question to my colleague Andrew Marsland.

Mr. Andrew Marsland: In response to the question, I think the reference is to the penalty that was included in the original legislation. There was a penalty provided under the CEWS for businesses that artificially manipulated their revenues to qualify for a subsidy.

As—

● (1200)

Mr. Matthew Green: From the point of clarity, if I'm to understand that correctly, companies that were sitting on significant holdings in cash and liquidity and then paid dividends were qualified and perhaps would not be considered as taking advantage of this program.

Just to cut to the chase, I reference the recommendation at paragraph 7.35: "The Department of Finance...should complete and publish an economic evaluation" of the wage subsidy program.

Madam Chair, through you to Mr. Sabia, given my comments and given the attention on companies such as Air Canada, Imperial Oil and others, as part of the risks and evaluation of the program when it's done to date, will the evaluation include the way in which companies took taxpayer dollars meant for workers and siphoned that money off to shareholders?

Mr. Michael Sabia: Madam Chair, through you, we will undertake a thorough analysis of the program, particularly against its fundamental objective, as I've said before, of maintaining the working relationship, the employment relationship, between an individual and their employer, which continues to be the objective of this program.

Mr. Matthew Green: Mr. Sabia, will you be dealing with CEO bonuses and dividends that were paid out on the CEWS, yes or no?

Mr. Michael Sabia: Madam Chair, through you, I think we'll undertake a thorough analysis of the program in all its aspects.

The Chair: Thank you very much.

We will now go to our five-minute rounds, starting with Mr. Lawrence.

Mr. Philip Lawrence: My question is to Mr. Gallivan, and of course Mr. Hamilton is welcome to comment as well.

I want to build on what my esteemed colleague Mr. Fergus said when he was asking about the 5% default rate, because I was struck by something, and I thank him for his excellent questioning.

Is that 5% default rate based on just everyone, from the highest economic standpoint to the lowest, and not reflective of there being a pandemic? I have a suspicion that this number will be maybe double or even triple that, due to the pandemic and due to these benefits oftentimes being paid to some of the people dealing with the largest economic challenges.

Can you comment on that? Maybe you're going to tell me I'm way off, but I suspect that I'll be validated.

Mr. Ted Gallivan: I would say our colleagues were developing that estimate for a purpose, which was dialing in the level of risk and the level of effort that would be required. It would be speculation on my part, but I would speculate that they would have stratified to at least a T1 population and made T2 corporate income tax and sales tax different programs.

At the very least, it would have been customized to individual taxpayers and the historic rate around individual taxpayers, but it probably would have been too soon for us to account for the economic consequences of the pandemic, which are playing out in front of us right now.

Mr. Philip Lawrence: Perfect. Thank you very much.

On that as well, I'll tell you—and this is just anecdotal, and anecdotal evidence is never as strong as empirical—I've had a number of people come into my constituency office who didn't hit that \$5,000 threshold. They got caught up in the CERB thing. To be candid, I don't think your department did a very good job of communicating who could and who didn't. I don't say that from my perspective; that's my constituent speaking.

He didn't make the \$5,000. He got caught up. He applied and he got it for a year and more. This particular individual I'm talking about hasn't ever made over \$5,000 in his life, and I don't see any way that he's ever going to pay it back. Quite frankly, the compassionate human being in me tells me that I don't really want to be forcing him to pay it back.

Can you comment on individuals like that and how CRA will treat people like that?

Mr. Bob Hamilton: Perhaps, Madam Chair, I'll take a first cut at that.

You're right. Something that we consider as we look at people who owe money is what their situation is and what the situation is relative to the pandemic that's around us.

What we've tried to emphasize for all of our compliance collections people is that we need to be empathetic. Yes, to the extent that people got benefits they weren't eligible for, we need to take action, but we need to take that action with sensitivity, and what we call at the agency "people first". Let's understand the situation. Let's make sure there is good communication.

You referenced at the beginning some confusion over whether the income threshold was gross or net. The government has acknowledged that. We at the CRA have said that our communication was not perfect in the early days, and so there have been actions taken with regard to that. More broadly, there would be people, for one reason or another, who mistakenly got benefits to which they weren't entitled, and we are trying to work our way through all of that as we get all the tax information.

People can be assured that as an organization we're trying to be as empathetic as we can to the person's situation vis-à-vis the pandemic or the economic consequences they suffered.

• (1205)

Mr. Philip Lawrence: Thank you.

Sorry, Chair; were you going to—

The Chair: I was just going to let you know that you have one minute left.

Mr. Philip Lawrence: Okay. I'll use the one minute to address Mr. Sabia.

I understand that you had the budget and the pandemic, and there's no shortage of work. I want to acknowledge that before making these comments.

Having these documents come in late has really pushed back our work as a committee. We will likely have to schedule another meeting to review these documents. We could have gotten this all done.

This is part of a pattern. I've received incorrect responses on basic questions, such as whether there's GST charged on the carbon tax, which is something a first-year accounting student knows, but in your department, your assistant deputy couldn't tell me the right answer.

I would push upon you, Mr. Sabia, that we need better from you, my friend.

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

We will now go to Ms. Yip for five minutes.

Ms. Jean Yip (Scarborough—Agincourt, Lib.): Thank you, Chair.

I would like to follow up on Mr. Lawrence's comment about his constituent. I also have a constituent who did not qualify for the CERB amount.

Mr. Hamilton, you talked about being empathetic. If the CRA was incorrect in giving the advice and allowing for these constituents to receive the funds, why can we not reverse that decision and allow them not to pay back the amounts?

Mr. Bob Hamilton: Madam Chair, I think it would be inappropriate in this forum to talk about specific taxpayer issues, and there are lots of different circumstances and situations out there. What I was referring to is that overall we do need to look at it case by case to determine what we think is fair and reasonable and where there is more of a systemic issue, and I talked about the gross versus net that we saw on the CERB. Then we can take actions that are more broadly based, but we just have to look at every situation.

This is not unknown to us, even outside of a pandemic. We have to take that look and determine how the situation transpired and what the appropriate action is in that situation. We do have taxpayer relief programs. As Mr. Gallivan referenced, we have payment plans that we can agree to with the taxpayer. There are a number of different vehicles to try to handle these situations, and what we are emphasizing is to just take actions that are appropriate in the context of the pandemic that everybody has been going through.

Ms. Jean Yip: Should they have to go through a payment plan if they were given erroneous information? I'm not talking about one specific constituent; it's a number of cases.

Mr. Bob Hamilton: I already referenced, Madam Chair, the gross versus net issue, on which the government did take action to basically allow access to people whose gross income was greater than \$5,000, but not their net income.

That was kind of a systemic issue. If you go down into individual cases, we really have to look at the facts of those situations and try to take an appropriate compliance position or collection position. I would emphasize that we are doing our best to be sensitive and empathetic in those situations, but there are many different cases and circumstances out there that we need to assess.

• (1210)

Ms. Jean Yip: Looking at the 273 full-time employees working on the delinquent filer compliance, I see that there was a return on investment of more than 100:1. That was fantastic.

What has happened to those 273 full-time employees? Is this program still being maintained? Will this group continue to work on compliance once the wage subsidy programs are over?

Mr. Bob Hamilton: Yes, and I'll leave a bit of space if Mr. Gallivan wants to add.

That program is an ongoing program that looks at delinquent filers to understand why they didn't file and tries to work with them to get them to file. It has had a fairly sizable return, so we have no thought of discontinuing that program. It will continue beyond the pandemic.

In fact, part of our response to the Auditor General's report is to look at that program to see if we're doing it as efficiently as possible and if there is room within our risk assessment to do it in a better way. Sometimes you can get high returns initially when you start something like that, but of course those returns diminish as you take care of some of the easy cases and move on to the more difficult ones.

However, we are in the process of making sure that the program is as effective as it can be going forward.

Ms. Jean Yip: There was an action plan that was completed on April 1 of this year to apply business intelligence for phase 2 post-payment audits. Could you elaborate on what plans were completed?

Mr. Bob Hamilton: I'll go right to Ted for that answer.

Mr. Ted Gallivan: We basically learned about likely mistakes or discrepancies from our initial audits and fed that into our file selection algorithms. Once we sampled a few people who made a mistake, we were looking for everybody else who might have made the same mistake.

The Chair: Thank you very much, Ms. Yip.

We will now move to our next round of questioning.

Mr. Berthold, go ahead for six minutes.

Mr. Philip Lawrence: My apologies, Madam Chair; I'll jump forward, if that's okay.

The Chair: Please go ahead, Mr. Lawrence.

Mr. Philip Lawrence: Thank you very much.

Mr. Hamilton, I want to actually give you a compliment.

The person-first strategy is fantastic. I hope you take that seriously, because there are many people struggling out there. There are very few Canadians who don't want to pay their taxes, but there are perhaps many Canadians who can't pay their taxes, so I do appreciate that comment.

My first question is for the Deputy Auditor General, Mr. Hayes.

Regarding all the documents the AG reviewed, other than the package that Mr. Sabia says we're still waiting on, and that you saw, have we received them? Have you reviewed the two packages?

If you have any comments, that would be great.

Mr. Andrew Hayes (Deputy Auditor General, Office of the Auditor General): We did do a comparison of the information we have in our audit files and the materials that have been provided. As Mr. Sabia noted, [*Technical difficulty—Editor*] that we did not see in the finance area that I suspect will probably be coming later this week. It's difficult for us on the finance side to be 100% certain, given the redactions and the information that wasn't disclosed. However, we are confident that we received all the information we asked for during the audit.

We also received on the CRA side the information we needed for our audit. There was a large volume of information provided, but we had other information in our files in addition to that, because of the interviews we had with witnesses and that sort of thing.

I would say that once you see the remaining information come from the Department of Finance, you likely will have at least a good package compared to what we have.

Mr. Philip Lawrence: On the interviews, Mr. Hayes, is that information you normally provide our committee with, or is that something just for the AG's use, and you compile it and put findings in your report?

• (1215)

Mr. Andrew Hayes: These would be interviews conducted during our audits that form part of our working papers. In those cases, we interview officials in the departments about the information that we've received. We get further detailed explanations through the interviews. Those interview notes reside in our files.

Mr. Philip Lawrence: You're confident that there's nothing in those notes that we haven't seen that we need to see.

Mr. Andrew Hayes: I will turn to Mr. Le Goff to provide confirmation there, but from the discussion we had before this hearing, as an audit team we were confident that we'd received the information and that you have received information that is consistent with what we have received.

Mr. Philip Lawrence: No, that's fine, Mr. Hayes. That's great. I appreciate it. Thank you for your responses.

Mr. Hamilton, I'll go back to you, if I could. I'm on page 279. I could be at this committee for hours and hours, and I'm only on three pages here, but I suspect, Mr. Hamilton, you wouldn't enjoy it as much.

I see here on the top of page 279, and I'll quote, "Nudge CERB recipient taxpayers by informing them how much tax they could be owed on their benefits."

I have two questions with that. One thing that I observed early on and throughout is that the taxability of the CERB benefit was not very well published. In fact, initially the government said it wasn't. Then it was. To this day, I don't think the government does a great job of communicating what source withholdings are in general and with respect to the CERB.

Can you tell me about the communications programs you did to tell people what they would owe on their taxes?

Mr. Bob Hamilton: Certainly, and I might just add in Max to put some fine details on the communications plan. That issue is important to us: Whatever the benefit is, is it going to be taxed, or not? We face that question on an ongoing basis. It was important in this context.

We actually feel that it was clear for us once the program started. There may or may not have been debates before, but it was going to be taxable. We did try to communicate that to make it clear, because we knew that if people didn't think it was taxable and then it became taxable, it would lead to issues in the next filing season, so we did try to communicate that well so that people understood it.

Maybe I'll open the door briefly for Max to talk about any of the key elements that he'd like to flag on how we did that.

Mr. Maxime Guénette: Thank you.

Very quickly, we emphasized communications to the media on our website, made sure the call centre agents had clear information when dealing with taxpayers online and made social media posts as well. I think those are the measures I would highlight.

Mr. Philip Lawrence: Are you concerned at all with this pandemic? Not only has it been a good part of 2020, but it will be a good part of 2021 before our economy fully recovers. Of course, the government announced they wouldn't charge any interest or penalties on folks who had income from the benefits in the pandemic. To me, there's going to be a lot of tax coming owing from people who may still be in difficult economic circumstances. Are you concerned at all about the collection that may need to be done and the burden that will be placed on Canadians as they come out of the pandemic?

Mr. Bob Hamilton: Madam Chair, I think that relates to a conversation that we had earlier on how sensitive we need to be about those kinds of compliance and collection issues.

One thing that is true from the agency's perspective is that these kinds of programs have a longer tail to them. Some people think, "Well, the program's over, so our work is done", but we have to think about how we are going to ensure compliance and collection in the longer term. We are conscious of that, and we're thinking

ahead to what the future issues will be that we'll have to sort through.

To your point, I would agree that this is an issue on our horizon, and we'll see how the pandemic unfolds.

The Chair: Thank you, Mr. Hamilton.

We will now move to Mr. Longfield for six minutes.

Mr. Lloyd Longfield: Thank you, Madam Chair.

You're doing a great job of chairing in person while we're all virtual. Some day, hopefully soon, we'll be back in the same room together to follow our body language and know who is over time and not over time. Thank you for coordinating the discussion.

Also, thank you to the officials who are here.

I want to take us back in time. I was looking at a communication string that I had with one of our local businesses in Guelph with about 100 employees. The business contacted me on March 19, 2020, to say that they had some concerns about what they were going to do with their staff. Were they going to have to lay off or not lay off, and were there government programs that might be coming? We went back and forth between March 19 and March 27.

In one of the communications on March 25, the owner said that they were going to go ahead and do the layoffs because it looked like government programs might be put in place. It was a big risk for them to let their staff go. They had a lot of engineering staff who would have been hard to replace.

On March 27 they said that they had their application in. On April 2 he said it was looking good. By April 21 he sent me a note to say that CEWS was in place and that they were starting to bring back some of their staff and that it looked like their business was going to get through it. There were some issues around rent recovery, and we were working on other issues. That was one of many—and I am going to say hundreds—calls that we have received as members of Parliament.

The Prime Minister made his presentations at 11:15 every morning, and we knew that. We had conference calls every night from 5:30 until 7 o'clock to talk about what was working and what wasn't. On this call that I had with this business, they weren't qualifying initially; we changed the program, and they were able to qualify going forward.

Could you give us a snapshot on what things were like on your side of the telephone? When we were trying to handle these calls coming from our constituents, how were you able to develop programs virtually overnight?

Mr. Sabia, maybe we could start with you. I know you were new to the department, but maybe you could reflect on your department.

• (1220)

Mr. Michael Sabia: Madam Chair, I wasn't new at that point—

Mr. Lloyd Longfield: I know.

Mr. Michael Sabia: I didn't exist at that point.

I think perhaps to give you the kind of colour commentary play-by-play that it sounds like you're looking for, perhaps it's best if I turn either to you, Andrew, or to Maude.

Andrew, why don't you lead off?

Mr. Andrew Marsland: I think it's difficult to describe the circumstances. I think many people were going through a difficult time at that point.

I suspect that one of the challenges always faced by businesses and governments in circumstances like that is really a lack of foresight. You can't really predict whether this is going to be a one-month, a three-month, a one-year or indeed a 16-month situation.

You're obviously dealing with imperfect information and you're trying to understand what the implications are, both from a public health perspective and from an economic perspective. In the public policy context, as you always are, you're trying to predict the reaction of economic actors to interventions, and so on.

Really, it's understanding the capacity of the system and working very closely across government to understand the art of the possible and understand what the effects of interventions will be and how successful they will be. It's really just trying to understand the context and the tools at hand and the capacity at hand to respond.

Mr. Lloyd Longfield: I think that's the context of the redacted documents that we have. Those discussions were happening and things were being documented and reviewed for what was going to work best, and then they might have to change in the next week until we landed on something that we saw was giving people the benefits they needed.

Mr. Hamilton, this was happening in March, which any accounting firm knows is the busiest month of the year. CRA being the mother of all accounting locations, how was it in the first month of your experience, and what happened when all of a sudden tax filing deadlines were shifted and you had to change staff work responsibilities to work full time on this, although some tax returns, I'm sure, were still coming in?

Mr. Bob Hamilton: Madam Chair, I could probably go on for a couple of hours about that experience, but I will just hit a couple of the highlights and pick up on what Andrew said.

Obviously it was a time of imperfect information, and for us there was a confluence of events. It was tax-filing season, as you've indicated. We were having to send people to work remotely, virtually all of the agency, while we were keeping some people in the offices to process tax forms, because the information was flowing in. We focused on making sure we had as tight a connection as we could with people like Michael and Andrew, at finance or elsewhere, who develop the policies, so that we could put something in place that was administrable. That was one feature.

The second was talking to businesses, as you were doing, as we designed the website for the CEWS. How could we get information

to people so it would be as clear as possible in that uncertain environment? We set up a calculator. We did a lot of consultation with CFIB and other businesses to ask what they needed from us to access this program.

We left the policy side to finance, but in terms of implementing it, I think stakeholder feedback was quite important for us in terms of trying to design something that could actually be accessed.

• (1225)

Mr. Lloyd Longfield: Thank you.

I wanted to trap in our discussion that these aren't just static documents. These were done in extraordinary circumstances, and your departments were extraordinary in the way that you responded to Canadians. Thank you on behalf of us.

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

We will now go to Ms. Vignola for six minutes.

[*Translation*]

Mrs. Julie Vignola: Thank you.

I want to turn to exhibit 7.1 in the Auditor General's report. The table indicates how many applications were submitted, how many were automatically approved, how many were manually reviewed and so forth. Clearly, a single employer may have submitted more than one application.

The total number of applications was 1.7 million. That's huge. Kudos to you for administering them all. According to the table, just 6,201 applications were manually disallowed or cancelled, equivalent to \$210 million.

Would the amount have been higher had more applications been reviewed manually? Was that the maximum number of applications you were able to review manually?

Mr. Bob Hamilton: We really had to find a balance, and that was it. Should we do more manual reviews and slow down the process, or have no process and make sure the money goes out in a timely manner? We used the information we had at the time to determine that balance.

Mr. Gallivan may be able to provide more information.

Mr. Ted Gallivan: To answer your question, I should point out that we processed more than 300,000 applications manually and identified 6,000 that were problematic. Conversely, we identified 1,500 cases where the business was entitled to receive a lot more. In the end, we verified 40% of the amounts to be paid out before proceeding. By relying on the business's historical data, the number of errors identified and the size of the errors, we are fairly sure that we conducted enough reviews so as not to undermine the tax system.

Mrs. Julie Vignola: Will you be conducting more audits on the automatically approved applications?

Mr. Ted Gallivan: If I may, Madam Chair, I can answer that.

Yes, we will. The first phase is to examine the value of the application against the number of employees and the wage paid, but we did not conduct any detailed audits based on revenue. We have been performing follow-up audits since August 2020, and we will be undertaking a second phase, but the scope of those post-payment audits has more to do with how the revenue drop was interpreted.

Mrs. Julie Vignola: Several newspaper articles, including one from *La Presse*, published on January 18, 2021, have mentioned businesses associated with organized crime that have obtained the Canada emergency wage subsidy, without being entitled to it, of course. How is this possible? How many of the automatically accepted applications do you think were from these illegal businesses?

Mr. Ted Gallivan: I'll talk about the administrative side first.

We did a manual audit of all applications from businesses that had a history of fraud or criminality and did a thorough review.

With respect to eligibility criteria, the nature of some businesses, their history or the fact that they had changed ownership prevented us from providing the subsidy. Our mandate is not to question the history of businesses, but we did verify that the businesses had employees, and therefore were businesses. When that was the case, we would release the subsidy to them.

By law and eligibility criteria, we are not able to use subjective values to review applicants' backgrounds and deny applications. However, we did conduct extensive audits on these businesses to ensure that they were indeed eligible for the subsidy.

• (1230)

Mrs. Julie Vignola: Okay.

Some businesses or individuals who have been convicted of tax fraud by Revenu Québec received the Canada emergency wage subsidy.

Do you work with Revenu Québec, for example, when you do manual audits to determine whether the business has a history of fraud or not?

Mr. Ted Gallivan: We have an excellent collaboration with Revenu Québec. We exchange information on businesses that should be of interest to us. That's one factor among many that help us determine which accounts to audit.

That said, it is important to remember that this program was intended to assist employees by subsidizing their wages. That was our focus. This program was really about helping employees by providing subsidies to businesses.

As I mentioned, under the eligibility criteria, we were able to take into account company history and context to do more vetting, but not change decisions that had already been made.

[English]

The Chair: Thank you very much, Ms. Vignola.

We will now move on to Mr. Green for six minutes.

Mr. Matthew Green: Thank you.

I want to go back to the early stages of this program when I understand there was a partial analysis of the initial design of the subsidy program.

Through you, Madam Chair, to whomever, because I know Mr. Sabia wasn't around at that point, when you were doing the comparators to the other countries and the decision was made to put it out in the way you did, did you not take into account that countries like Denmark made private corporations commit to no permanent layoffs? Why didn't Canada adopt that policy?

Mr. Andrew Marsland: Perhaps, Madam Chair, I can take that question.

We did look across at various different models. There were very different experiences and different contexts and different objectives and programs that changed, and so on. We tried to be informed by all of those to come up with a model that was as responsive as possible to the circumstances at hand.

Mr. Matthew Green: Madam Chair, respectfully, through you, this is a program that was meant to keep people employed. I don't think it takes any kind of complex analysis to acknowledge that a program that's meant to keep people employed ought to have parameters much like Denmark did, regardless of the context, that would have made private corporations that received it commit to no permanent layoffs.

Given that this actually occurred, will the Department of Finance, under recommendation 7.35, when they complete and publish their evaluation, include in their evaluation instances of companies that took wage subsidies and still laid off employees?

Mr. Andrew Marsland: We will conduct an analysis, Madam Chair, as comprehensive as possible with the data to see how well the program met its objective of supporting employment during the pandemic.

Mr. Matthew Green: Madam Chair, again, would the witness then not agree that if a program is meant to keep people employed and a company takes \$100 billion from the public coffers—from taxpayer dollars, from workers paying into the taxpayers' coffers for this program—in the biggest-ever transfer of wealth from the general public to the private sector, it would be a failure of that program if companies took the wage subsidy and still laid people off? It's a simple question.

• (1235)

Mr. Andrew Marsland: The wage subsidy was supported and wages were paid by employers on a period-by-period basis when employers could demonstrate that they'd suffered a reduction in revenue. I think we will do an evaluation to examine the extent to which the program might be subject to it.

Mr. Matthew Green: Through you, Madam Chair, in that examination, what should be considered confidential and what should not? In our disclosure of documents, significant portions from this government have been redacted in ways that make it almost impossible to glean any information. For example, should assessments of the program's impacts on public spending, labour supply and output be confidential?

Mr. Lloyd Longfield: As a point of order, Madam Chair, it seems like these questions are going into policy discussions versus—

Mr. Matthew Green: Listen, that's not a point of order. That's not a point of order at all. That's an opinion of a member—

The Chair: Excuse me—

Mr. Matthew Green: —of this committee. That's not a point of order.

Mr. Lloyd Longfield: This point goes to relevance, Madam Chair.

Mr. Matthew Green: It's not to relevance. It's very relevant.

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

Mr. Green, I assume that your question relates back to the recommendation that you referenced—

Mr. Matthew Green: Of course. That's a ridiculous point of order, and I want my time back.

The Chair: —in the Auditor General's report.

Please continue with your questioning as it relates to the Auditor General's report and the recommendation you cited.

Mr. Matthew Green: I would also like to refer to how that intervention was on my time, and I'd like to reclaim my time.

To repeat that, what should be considered confidential and what should not be? Recommendation 7.35 suggests that there should be completed and published “an economic evaluation” of the “wage subsidy programs”.

For example, should assessment of a program's impacts on public spending, labour supply and output be confidential?

Mr. Michael Sabia: Madam Chair, through you, I think those three categories that Mr. Green has just identified are quite reasonable—

Mr. Matthew Green: Thank you.

Mr. Michael Sabia: —and should be a part of the kind of analysis that we would otherwise always do.

Mr. Matthew Green: Thank you.

Will the assessment also include an analysis of companies that took the wage subsidy and paid out dividends, as well as companies that took the wage subsidy and laid people off? Will they complete that and include it in their analysis and publish it?

Mr. Michael Sabia: Through you, Madam Chair, Mr. Green, you're asking us to speculate at this point, which is difficult for us to do. Certainly, in a report of that kind, we will be, as I think is appropriate and as I think you would acknowledge, careful with respect to either individual specific information—

Mr. Matthew Green: It's already been published. It's already been published in The Globe and Mail and the National Post. It has been widely reported on and it is in the public interest.

Taxpayers want to know if major corporations took their money and paid out shareholders and CEO bonuses. We had to shame Air Canada into I don't even know what—reconsidering and doing the right thing?

I hope you'll take the feedback from this committee. I hope you'll take my outrage as the public's outrage in this moment of the largest transfer of wealth from the public sector to the private sector—from the public to the private—and I hope that's accounted for when it comes back. That's all I'm asking for.

Thank you, Madam Chair.

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

We will now move on to our next round of questioning, which is a five-minute round, starting with Mr. Berthold.

[*Translation*]

Mr. Luc Berthold (Mégantic—L'Érable, CPC): Thank you very much, Madam Chair.

I'd like to begin by thanking the witnesses for being with us today.

I know that having to put programs in place quickly during a pandemic has its own set of concerns and risks. As we read through the documents you sent us, we could see which risks had been raised and which had been proven to be real over the weeks and months.

My question is for Mr. Hamilton.

I was surprised to see that, in several places in the documents, there was reference to reputational risks to the Canada Revenue Agency.

Can you explain to me the extent to which these risks were considered among the major potential impacts? Why was so much attention paid to them?

• (1240)

Mr. Bob Hamilton: I thank the hon. member for his question.

The agency's reputation is important to us, both in times of pandemic and in normal times. It's important because for the tax system to work, Canadians need to have confidence in the agency. So, the agency's reputation is a factor in the decision to participate in the tax system, among other things.

Mr. Luc Berthold: You'll understand why I'm asking this question. This is a discussion I want to have because I want to understand what Mr. Gallivan was talking about earlier. He talked about the risk associated with the very small number of audits that will be done of individuals and businesses that received the wage subsidy.

Does the agency want to maintain that tough image, and has this program hurt that image, which you have to maintain to make sure that people pay their due to the government?

Mr. Bob Hamilton: These are two aspects of the agency's reputation.

First, it is its ability to deliver benefits in a timely and efficient manner. Second, it is its ability to ensure that those who receive benefits are eligible for them. It's important for us to preserve both aspects of the agency's reputation.

That was a consideration in the period after benefits began, and that process is still ongoing.

Mr. Luc Berthold: In terms of collecting money owed to the government, are you concerned that the lack of audits that will be done on the emergency wage subsidy will damage the agency's credibility?

Mr. Bob Hamilton: It is certainly always possible to criticize the agency, but I'm very pleased with the balance that we've been able to achieve in this context, as we did audits early in the program. Mr. Gallivan described actions that the agency took during that period, including using information obtained by our auditors. However, at the same time, there was a need to pay benefits.

I think we've struck a good balance, and now we're in the process of doing a little bit more post-payment auditing, just to make sure we correct any errors that may have occurred.

In my opinion, as far as the reputation of the agency is concerned, I think we've struck a good balance in terms of auditing.

[*English*]

Mr. Luc Berthold: Do I have a bit more time, Madam Chair?

The Chair: You have 15 seconds, Mr. Berthold.

Mr. Luc Berthold: Okay. I will not ask any more questions.

Thank you.

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

We will now move to Mr. Sorbara for five minutes.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Chair.

Good afternoon, everyone.

First off, welcome to the commissioner and DM Sabia. It's always a pleasure.

I think this is going to be our last meeting that's not going to be in camera. The next three are in camera.

I want to ask something sort of big picture, because a lot of my colleagues have asked questions with regard to granular details.

We put programs in place and we put in guardrails. Obviously, during the middle of a pandemic, a once-in-100-years event, we had to put in place a program that had the objective of maintaining an employer-employee attachment. At one time, 5.5 million Canadian workers maintained an attachment to their employers, so that objective was achieved. On the CERB, we assisted almost nine million Canadians at one point, so that objective was also achieved.

As my first question, how important was it to strike that balance with regard to the guardrails?

The second component of my question is on digitization. I'm a big believer in digitization, let's call it, on the governmental level. What lessons can we learn—and this also applies to CRA—that we can take away as we move forward? The CRA has an implementation arm; the legislation comes from the Department of Finance. What can we take away to digitize government services and provide them more efficiently and more effectively and at a lower cost to Canadians?

If I can turn to Mr. Hamilton and then Mr. Sabia, I'll leave it to you folks to divide that time up.

• (1245)

Mr. Bob Hamilton: I'll say a few words, and then I'm sure my colleague Michael will have a few things to say.

Obviously, one of the things the pandemic has made us all realize is the importance of digitization for now and for the future.

I say that knowing that the agency actually had made a lot of progress before the pandemic. Over 90% of individual tax returns are now filed electronically, so in some sense I think the agency has been in the vanguard of trying to make our operations more electronic and more digitized. Nevertheless, we saw pockets of the organization where we relied on paper extensively. Developing new programs in a pandemic can sometimes perpetuate that.

We actually have a strong initiative right now to try to find those areas where paper persists and try to digitize them as fast as possible, because it is certain that in the future we're going to need more rather than less. That's the future of the agency. We've seen the benefits already of actions that the agency has taken to become more digitized. It just makes us more resilient and more flexible, and it provides better service to Canadians as well. It's a real focus for us.

I'll turn it over to Michael if he wants to add something.

Mr. Michael Sabia: First let me pick up on Bob's comment with respect to digitization.

I think there is a consensus across the government about the importance of pressing ahead and indeed accelerating what the government's doing on digitization. There is a substantial amount of investment in the recent budget for precisely that purpose and to assist the Canada Revenue Agency in what they're doing so that Canadians can interact with the Canada Revenue Agency on a more efficient and purely digital basis.

More broadly than that, the goal is to create a set of systems whereby individual Canadians can interact with their government much more efficiently on an online basis. Those investments extend, yes, to Revenue Canada, but also very much to a number of other departments that have day-to-day interaction with individual Canadians. For instance, employment insurance is another area where significant investments are absolutely needed to ensure that the program is up to date and ready for the challenges of the digital economy that we find ourselves in.

That continues to be a priority and something that we're going to continue to fund in subsequent budgets.

I will just move to this issue about guardrails and the design of the program. I can say this from a distance, because I wasn't there at the time.

When you think back to March and April of 2020 and the kind of economic damage that the pandemic was doing to Canadian businesses and individual Canadians, there was urgency to get a program out there that would have a big and immediate impact. The situation was just that urgent.

If you take a couple of steps back, I think that's one of the reasons you're seeing the Canadian economy now able to react with the kind of energy that it has as we progress through the vaccine and as the energy and the spring of the Canadian economy begins to expand. Hopefully, we'll get a lot more of that through the summertime and into the early fall as the economy fully opens.

This program has played a critical role in greatly shortening the amount of time from when an employer picks up and begins to expand business until their employees are there. One of the things that the government wanted—and I think they were right—was to cut that time to the absolute minimum.

• (1250)

The Chair: Thank you very much, Mr. Sabia and Mr. Sorbara.

We will now move to Ms. Vignola for two and a half minutes.

[*Translation*]

Mrs. Julie Vignola: Thank you very much, Madam Chair.

With respect to the wage subsidy, we know that only on federal party didn't apply for it, and that party is the Bloc Québécois.

In total, all parties combined, what amounts were paid to them?

Mr. Bob Hamilton: Madam Chair, I'm sorry, but I don't have those numbers right now. We can provide them to you after the meeting, unless my colleague Mr. Gallivan has them with him. In any case, we'll find that information.

We'll have to make sure it's not confidential first, but I don't think it is. I'll check it out. If it's possible to give that information, we'll provide it to you after the meeting.

Mrs. Julie Vignola: Are any political parties still receiving the wage subsidy?

Mr. Ted Gallivan: Madam Chair, referring to a specific taxpayer is also prohibited under section 241 of the Income Tax Act.

Mrs. Julie Vignola: Are you saying that political parties are taxpayers?

Mr. Ted Gallivan: All information received in the application of the act is considered protected information under the act. Information received about an act that is being enforced is afforded the protections of that act.

Mrs. Julie Vignola: Are some political parties still receiving the wage subsidy currently?

Mr. Ted Gallivan: I can't confirm that information because I don't have it.

Mrs. Julie Vignola: Okay.

On the agency's website, you can see the list of employers who received amounts, but not the amounts that were paid to each employer. I imagine that section 241, which you just mentioned, explains why it doesn't show that information.

Mr. Ted Gallivan: That's right. The registry is an exceptional transparency process provided for in this section of the legislation. The agency worked within the parameters of the legislation and in consultation with the Privacy Commissioner—

[*English*]

The Chair: Thank you very much, Ms. Vignola.

We will now go to Mr. Green as our last questioner. You have two and a half minutes.

Mr. Matthew Green: Thank you, Madam Chair.

I think all of the witnesses present here today understand the urgency with which I'm calling for greater transparency and accountability for all those who received money from taxpayers' public coffers for their operations.

In fact, I want to commend my friend Ms. Vignola for pressing on that issue. I would agree that all parties should be open and transparent about what they received, as should all companies.

I have one question, and I don't even know exactly where it lands. Under these current scenarios.... Actually, it's not even a question. It's probably a comment, because I don't think anybody could answer it fairly anyway.

Following up on Ms. Vignola's line of reasoning, it is very probable that many members of the House of Commons received dividends off the backs of the Canada emergency wage subsidy.

Anybody who invested in Imperial Oil and some of these other companies likely received dividends. I want to note the way in which this transfer of wealth happened. Many members of the House of Commons, likely and probably, through their investments, received dividends. That's something that could be the topic of future studies or exploration, if at all possible.

I'll conclude my remarks, before giving my time back, to state that while the intentions were good at the outset, the controls put in place that allowed major corporations to take advantage of this program, I believe, were a risk. I also believe the program ought to have had greater instruments of control to ensure that workers weren't laid off permanently and to ensure that the money wasn't siphoned off to CEO bonuses and shareholder dividends.

• (1255)

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

Colleagues, it is 12:55. Our meeting is scheduled to end in five minutes.

I could provide two rounds of two and a half minutes each, or we could seek to adjourn prior to 1 p.m. What is the will of the committee?

Mr. Blois, go ahead.

Mr. Kody Blois: Madam Chair, I have four minutes on my clock right now. Our translators do a tremendous job, and we should give them a four-minute break to stretch their legs and get a coffee. I thank them for the work they do.

The Chair: Mr. Berthold, go ahead.

[*Translation*]

Mr. Luc Berthold: I totally agree with my colleague. Everyone can be allowed to rest. It was a great meeting.

I want to thank all of the witnesses who appeared today. These are not easy meetings, but they are absolutely necessary to maintain the confidence of Canadians.

Thank you very much.

[*English*]

The Chair: Thank you both very much. I will take that advice.

Colleagues, before we end the meeting, I would like to thank our witnesses for joining us today.

In reference to Mr. Sabia's comments regarding the distribution of documents, I have been advised that we can expect to receive them this Friday.

Also, Thursday's meeting will be to discuss a draft report on the Investing in Canada plan and the follow-up on the rail safety report.

Mr. Michael Sabia: Madam Chair, before you adjourn, could I just make one comment?

The Chair: Sure.

Mr. Michael Sabia: Thank you.

Madam Chair, I just want to return to Mr. Lawrence's comment with respect to the timing of the delivery of documents. I think that's a reasonable comment on his part, but I also want to assure members of the committee that there are literally thousands of pages here and that translation takes a significant amount of time. There's a small team of people who are capable of doing this work, and I want to assure you that we are doing this as quickly, as thoroughly, and as professionally as we can. I do commit to getting you that material by the end of this week. I want to assure you that we're not dragging our heels here; we're doing everything we can.

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

With that, the meeting is adjourned.

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