

Speaking Notes

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**Appearance at House of Commons Standing Advisory Committee on
Finance on Bill C-470**

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Speaking notes for appearance at Finance Committee on Bill C-470

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Thank you for inviting the Association of Universities and Colleges of Canada to participate in this committee's study of Bill C-470. AUCC represents 95 public and private not-for-profit universities and university-degree level colleges across Canada. Most, if not all of these institutions, are registered charities.

I would like to describe to you today how Bill C-470, and in particular, the compensation cap of \$250,000 would undercut the Government of Canada's Science and Technology Strategy and harm the ability of universities to contribute to Canada's innovation and competitiveness. I will then turn to a discussion of some of the problems associated with the compensation disclosure provisions in the Bill.

To begin with, I think it is important that the language of the bill is clearly understood. The bill calls for a \$250,000 compensation cap per employee. This cap does not just mean salary; it also includes health and dental benefits and pension or retirement plan contributions by the employer. The inclusion of these benefits in the cap means that an employee with a salary significantly below \$250,000 could still exceed the compensation cap.

This compensation cap could undermine the Canada Excellence Research Chairs program, announced in 2008 as part of the Government of Canada's Science and Technology Strategy. The program, which involves all three federal research granting councils, is targeted at attracting and retaining the world's top researchers to conduct cutting-edge research within the four priority research areas laid out in the Science and Technology Strategy.

Canadian universities administer CERC funds. For each chair, the university receives up to \$1.4 million annually for seven years. The program provides that each chair can receive up to \$10 million over seven years. Many of the CERC recipients likely receive more than \$250,000 in compensation per year - exceeding the compensation cap in Bill C-470. As a result, universities would be forced not to participate in the program, to avoid the risk of having their charitable status revoked by the Minister of National revenue.

Attracting and retaining the highest caliber of researchers and scholars through programs like CERC is critical to Canada's future prosperity. CERC researchers contribute to Canada's competitiveness, help educate the next generation of highly qualified individuals for the knowledge economy and enable Canada to be on the leading edge of science, technology, innovation, research and development. It would be an extremely unfortunate if Bill C-470 unintentionally undercut the CERC program.

During her testimony on November 29, the Hon. Albina Guarnieri, the sponsor of Bill C-470, tabled amendments with the committee to delete all of the compensation cap provisions in the bill. AUCC strongly urges the committee to accept these proposed

amendments and to report Bill C-470 back to the House of Commons without the compensation cap provisions.

Bill C-470 also contains compensation disclosure provisions that are aimed at improving the accountability and transparency of charities. Universities are strongly committed to the principle of accountability to the public and to governments, and to transparency in their operations. Universities account for their expenditure of public funds through their boards and through a range of audit and public reporting mechanisms. A variety of accountability mechanisms are in place in all provinces and at the federal level to provide for openness, transparency and accountability by universities. There are, however, problems with the compensation disclosure provisions in the bill. I will cite two examples.

First, the compensation disclosure requirements in Bill C-470 may jeopardize the personal safety of university faculty members participating in international development projects funded by bodies such as the Canadian International Development Agency, the International Development Research Centre, or other charities. AUCC and its 95 member universities have carried out more than 2,000 international development projects in the past 30 years aimed at enhancing other countries' resources and improving their living standards. Faculty members participating in these projects can include medical doctors and other highly qualified specialists. In some cases, development projects are located in jurisdictions where wages are very low and there is limited ability for local governments to protect foreign workers. The publication of compensation levels for university faculty members working in such jurisdictions could make these individuals targets for kidnapping or robbery, or subject them to other risks to their personal safety.

During this committee's hearing on November 29, there was discussion about whether compensation disclosure by the Minister should be mandatory or remain discretionary. In light of the concerns I have just described, AUCC urges the committee to retain the Ministerial discretion not to disclose compensation in appropriate circumstances.

The second issue relating to the compensation disclosure provisions is that Canadian charities, including universities, already file with the Canada Revenue Agency an annual Registered Charity Information Return. These annual returns include details of salary ranges for the ten highest compensated, permanent, full-time positions. They are available for public inspection on the CRA web site for the information of potential donors. CRA also has graduated penalties available to it, up to revocation of charitable status, to deal with excessive compensation for employees of charities. The compensation disclosure requirements in Bill C-470 would lead to the duplication of work and an increase in administrative burden for charities.

AUCC recognizes that the goal of the compensation disclosure provisions in Bill C-470 is to provide even greater transparency for the compensation of executives and employees of charities, and that some questions have been raised about the adequacy of the compensation information currently published by the Canada Revenue Agency. In addition, Ms. Guarnieri has tabled an amendment to establish an arbitrary floor of \$100,000 for compensation disclosure.

When Cathy Hawara, the Acting Director General of the Charities Directorate at CRA, appeared before the committee on November 29, she was asked whether a legislative change would be necessary if CRA were to require that charities provide it with the names, job titles, and annual compensation of executives and staff that exceed a certain compensation threshold. Her response was that the components of the information return for charities are not set out in legislation. It is within the minister's discretion to determine what should be in the information return for charities, even without a legislative amendment. We urge the committee to explore this matter further with a view to assessing whether any legislative change regarding compensation disclosure is actually needed.

The ability to adjust compensation disclosure requirements through administrative measures would provide far greater flexibility in assuring that necessary adjustments could be made promptly, as required, to meet the needs of charitable donors for greater transparency. AUCC and other organizations in the charitable sector are prepared to work with CRA to improve its public reporting on compensation paid by Canadian charities.

In conclusion, I would like to thank the committee for giving AUCC the opportunity to make representations on Bill C-470 on behalf of universities across Canada. I will be pleased to respond to any questions you may have. Thank you.