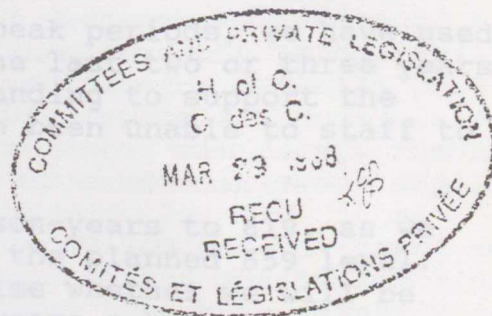


Minister of Finance

Ministre des Finances



Ms. Aideen Nicholson, M.P.
Chairman of the Standing
Committee on Public Accounts
House of Commons
Ottawa, Ontario
K1A 0A6



Dear Ms. Nicholson:

I am pleased to respond on behalf of the government, pursuant to Standing Order 99(2), to the Standing Committee on Public Accounts' request for a response to recommendations 16, 18 and 29 in its Eleventh Report of November 2, 1987. These recommendations called for the tabling of all program evaluations by the Department of Finance; the tabling of tax expenditure accounts for 1987 and annually thereafter; and an annual accounting by Crown corporations of their use of tax expenditures.

I am entirely in accord with the Committee's conclusion that Parliament needs information of higher quality on tax incentives to increase accountability in the tax system. As you know, a central strategy in tax reform has been to lower tax rates by removing tax expenditures. Some incentives have been retained, however, to assist in meeting specific economic and social priorities -- and these will need to be evaluated to ensure that they are meeting their objectives.

Much of this work will be undertaken in our new Tax Measures Evaluation Division, whose purpose is to provide evaluation of tax measures independent from line-management. The formation of the Division is in itself a response to earlier recommendations of your Committee, which considered such independence to be a requirement for evaluation. In this respect, I take the Committee's recommendation that Parliament be informed of the Department's evaluation of tax programs to apply prospectively to the work of the new Division. I am pleased to indicate that my Department will comply with existing provisions applying to all departments governing disclosure of evaluation information.

A principal thrust of the Committee's recommendations is that Parliament needs regular measures of accountability in the tax system. Let me state immediately that the government agrees with