



August 23, 2010

The Rt. Hon Stephen J. Harper, P.C., M.P.
Prime Minister of Canada
House of Commons
Ottawa, ON
K1A 0A6

Dear Prime Minister,

In late 2009, the Honourable Member of Parliament for Mississauga East-Cooksville Albina Guarnieri introduced Bill C-470 *An Act to amend the Income Tax Act* in the House of Commons. The bill was then referred to a committee review process. We are writing to the leaders of all parties in the House of Commons to share our concerns with the measures set out in this bill.

Our organization, the Calgary Chamber of Voluntary Organizations, and the nonprofits and charities that we work with are committed to the goals of accountability and transparency. We agree that Canadians should have access to the information they need and want to make informed choices about their charitable giving. However, legislation that would effectively cap the compensation of employees of Canadian charities, and allow the publication of compensation details for the five most highly paid employee of a charity is not the answer.

We believe this proposed legislation is an excessive measure in response to a small number of high profile situations that are not indicative of the practices of most Canadian charities. Rather than introducing new legislation that imposes additional constraints and administrative requirements on organizations, we recommend that the charitable sector and government work together to address any concerns about transparency and accountability through the existing regulatory frameworks.

The charitable sector supports the need for transparency and accountability. Being open and transparent with funders, government, clients, and donors serves an organization's best interests and is a sector best practice. While these goals are the impetus behind the bill, there are a number of unintended consequences and practical implications that will negatively affect charities if the bill is passed.

Compensation Cap

In terms of the specific measures in the bill, we do not support the concept of a compensation cap of \$250,000. This cap will

- Create the false perception that charities are overpaying their employees. In fact, while we do not have data about charities on their own, we know that 54 per cent of all nonprofit and voluntary

organizations in Canada have no paid staff and 26 per cent have only one to four employees. Of the 80,000 charities in Canada, only two per cent (1,800) have any employees earning more than \$120,000 a year.

- Create the public perception that salaries above \$250,000 are excessive. This does not take into account that organizations with salaries at this high level are large and complex with multi-million dollar budgets and the compensation of executives reflects this. As well, these organizations are competing in an international labour market to attract skilled, experienced leaders. For example, most leaders of large organizations including hospitals, universities and colleges have compensation above the \$250,000 salary cap.
- Set a precedent where government dictates the compensation levels in a particular sector. This measure would treat the charitable sector differently from other sectors. For example, other areas of the economy that receive substantial public investment such as the high-tech sector that benefits from over \$3 billion in research and development tax credits, does not face this type of intervention.
- Undermine the autonomy of charities and their volunteer Boards of Directors to define the appropriate compensation levels required to attract and retain qualified employees for their organizations.

Finally, in considering this legislation, it might be tempting to exempt certain types of organizations, for example hospitals, universities and colleges that would be seriously affected by a compensation cap. However, if the intent of this bill is to increase the transparency of high compensation, any exemptions for large organizations will render the legislation ineffective.

Disclosure Requirements

A second measure in the bill would require charities to disclose the names and compensation details of their five most highly paid employees. However, due to the nature of the sector, the bill would result in the release of personal information of employees who fall well below the \$250,000 compensation threshold set forth. Sixty per cent of organizations working in communities across Canada have less than four paid staff; under this measure, they would be forced to publicly disclose the salaries of all of their employees. In many communities, this means that the names and salaries of junior staff members, receptionists, assistants and other personnel would be in the public domain, an unnecessary intrusion of their privacy and a situation not faced by employees in other sectors.

In 2009, the Canada Revenue Agency, which regulates Canadian charities, introduced a new rule that requires charities to disclose the compensation ranges for their ten most highly paid employees. We believe this measure will provide donors, funders and others with the

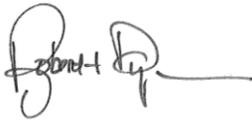
information they need about salary ranges in an anonymous format that avoids identifying the salaries of particular individual employees.

Finally, implementing the new salary disclosure system set out in the bill would require investment in new processes and infrastructure for data collection and dissemination. This funding would be more effective if applied to improve or extend existing regulatory measures aimed at supporting transparency and accountability.

Thank you for your attention to this issue. While Members of the House of Commons will vote on this issue as individuals, we felt that it was necessary to share our serious concerns with the leaders of all four parties.

We would welcome the opportunity to speak with you or your staff to further discuss our concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Pynn", with a horizontal line extending to the right.

Robert Pynn
Board Chair, Calgary Chamber of Voluntary Organizations