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**Chair**

**Mr. Brent St. Denis**

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## Standing Committee on Industry, Natural Resources, Science and Technology

Tuesday, November 2, 2004

• (1530)

[English]

**The Chair (Mr. Brent St. Denis (Algoma—Manitoulin—Kapusking, Lib.)):** *Bonjour tout le monde.* Good day, everyone.

I'd like to bring to order this November 2, 2004, meeting of the Standing Committee on Industry, Natural Resources, Science and Technology.

Today we are on round three of our opening round as part of our plan to determine our work agenda for the next couple of months, I would assume.

We have officials with us from the Department of International Trade and the Department of Industry, who will help us to better understand the issue that was primarily brought up by our colleague, Paul Crête, the issue of outsourcing. There was unanimous support that it was an area worth having at least a beginning look at.

Then we'll go on from your testimony today, gentlemen. Thank you for being here. It will help us considerably.

Before I proceed, I'm going to advise colleagues that we'll have the international trade witnesses speak first because they will give us a general overview of the concept of outsourcing. Then we'll proceed to the industry officials.

Colleagues, on Thursday I'm going to ask for your help to determine our work plan for the next while. I'll ask you to start thinking, as of today, about energy and Kyoto, which will be together. We'll have Deputy Minister George Anderson, from NRCan, with us on Thursday, along with officials, to do energy and Kyoto together.

We'd like to make a plan for after the break. We always need to give time to our staff, the clerk, and researchers to pull together witnesses for whatever series of meetings you would like to proceed with.

With that, I'm going to again thank our witnesses for being here. We're going to start with John Schwartzburg and/or Robert Ready. We normally invite witnesses, if we're doing a bill, to present for five or ten minutes. But because this is a somewhat informational series for us, we're going to ask you to go as long as you need to, without going on for too long, so that we have time for questioning.

Mr. Schwartzburg or Mr. Ready, please proceed.

**Mr. John Schwartzburg (Director, United States Business Development Division, Department of International Trade):** Mr. Chairman, members of the committee, thank you for the opportunity

to provide an overview of outsourcing from an international business development perspective.

As the chairman mentioned, I'm joined by Mr. Robert Ready, who is the director of the services trade policy division at International Trade Canada, and we will be happy to work with you as we work our way through the subject.

Outsourcing, also known as offshoring or nearshoring, is the contracting of business operations, manufacturing, or services to a third party. In the services sector, outsourcing represents the beginning of a structural shift in business practices that could considerably impact the functioning of the global economy. It allows firms to concentrate on their core competencies, which results in savings and improved efficiencies and increases access to resources not available internally and/or domestically. Its potential is being supported by a number of factors, including the liberalization of trade and investment and advances in technology that make it possible to transmit information over long distances, at very low cost, with little loss of quality.

Recent studies by the McKinsey Global Institute, Forrester Research, META Group, and others, suggest that offshoring will continue to see significant growth and will dominate business strategies into the foreseeable future. Outsourcing, however, is not a new phenomenon. What is new is that offshoring is no longer restricted to manufacturing or even to basic services, such as data entry and word processing. Today, everything from architectural design and clinical trials to software development is being outsourced.

The United Nations Conference on Trade and Development—or UNCTAD—*World Investment Report 2004* views global outsourcing in a positive vein and argues that there is potential for both importing and exporting economies to benefit and that outsourcing is a win-win situation. The originating economy benefits by way of lower prices to consumers, expanding markets for exports, and higher corporate profits. The receiving economy benefits by way of increased jobs, investment, and employee skill improvement.

The UNCTAD report also states that the bulk of services outsourcing work is taking place in developed countries such as Ireland and Canada, as opposed to less developed countries such as China. In fact, Canada ranks third, after Ireland and India, as an outsourcing destination. The document highlights New Brunswick as a pioneer in luring call centres by investing heavily in its telecommunications infrastructure.

In recent months, there has been an upsurge in public debate in the United States on the perceived loss of American service sector jobs due to outsourcing by American companies and governments. Debate continues to focus largely on the use of such centres in developing countries such as India, where labour costs are significantly lower than those in the United States. Although part of the U.S. election debate has focused on the outsourcing of U.S. service jobs overseas, the issue has not really been predominant.

Legislation seeking to constrain outsourcing does, however, remain a real issue at the state level. As of October 1, 2004, 40 state legislatures have introduced a total of 196 outsourcing-related bills. Although 123 of these bills were voted down or failed in legislative committees, 10 states had bills pass the legislature, 4 had bills signed by governors and enacted into legislation, and 7 states issued executive orders restricting outsourcing.

It's our assessment, though, that U.S. measures seeking to constrain outsourcing do not target Canada. However, that does not mean it and its mutually beneficial services trade relationship with the United States won't be impacted. The outsourcing legislation proposals don't distinguish between Canada and other countries. Also, despite the fact that a vast majority of these proposals won't pass in their respective state and federal legislatures, the mere introduction of these bills and the large amount of debate surrounding outsourcing have created an environment in which companies are reassessing their outsourcing decisions.

• (1535)

**The Chair:** Paul.

[Translation]

**Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ):** Could you possibly read more slowly so our interpreters have a chance to understand what you are saying, and we do too? Why don't we have a copy of this?

[English]

**The Chair:** Can you go just a little slower? Is there a copy of your document?

[Translation]

**Mr. John Schwartzburg:** We don't have a copy in French at this time.

**Mr. Paul Crête:** Well, the very least you can do is show some respect and read at a reasonable pace so that the interpreter can also perform her work at a reasonable pace. Thank you.

[English]

**Mr. John Schwartzburg:** It is for these reasons that our embassy in Washington and 21 consulates and trade offices throughout the United States continue to assess the implications of these measures. In support of these efforts, our trade commissioners and heads of mission are meeting with representatives of U.S. corporations that

are considering outsourcing operations to Canada. Canadian officials take advantage of the meetings to raise the outsourcing issue and explain Canada's position: that our relationship with the U.S. is so integrated and interdependent that when Canadian interests are adversely affected, so too are American interests, and we seek their support.

Domestically, Canadian trade and investment policy officials continue to examine whether and to what extent U.S. legislative proposals might violate U.S. international trade and investment obligations.

Federal government officials also continue to assess implications from a business development perspective. Canada's advocacy strategy on U.S. outsourcing legislation is being assessed by International Trade Canada and Foreign Affairs Canada on an ongoing basis in order to ensure that it remains current and appropriate. The provinces, associations, and business interests are engaged in these efforts to protect Canadian interests.

**The Chair:** Very good.

We'll leave the international trade delegate and ask Mr. Yeates to proceed, please. Thank you.

**Mr. Neil Yeates (Assistant Deputy Minister, Industry Sector, Department of Industry):** Thank you very much.

**The Chair:** There is a presentation.

**Mr. Neil Yeates:** Good day, Chairman and members of the standing committee. I am pleased to be here today to discuss the impact of foreign outsourcing on industry in Canada.

This is an important issue that we believe contributes to the continued competitiveness of Canadian industries in the global trading system, which has provided so many benefits for Canada and Canadians.

With me at the table to help answer any questions you might have are Chummer Farina, the director general of the industrial analysis branch of the industry sector, Industry Canada; and Keith Parsonage, the director general of the information and communications technologies branch of the spectrum, information technologies and telecommunications sector of Industry Canada. It's a bit of a mouthful, but there you go.

I'd like to thank my colleagues from International Trade Canada for their discussion on the foreign outsourcing process. My presentation will elaborate on that by providing some brief comments on how we in Industry Canada have seen the development of this issue and its impacts on the manufacturing and service industries in Canada.

Foreign outsourcing occurs when a company relocates part of its operations in another country, or outsources that work to an unrelated company in another country. During the last 30 years, many manufacturing companies in North America have relocated different stages of their production processes to such low-cost countries as Mexico, China, India, and to Eastern Europe. This process has been driven in part by reduced tariff barriers, advances in information technology, and reduced transportation and communications costs.

Improved marketplace conditions in Eastern Europe, China, and India have helped integrate their large pools of relatively low-cost and increasingly skilled labour into the global production chain. This has been facilitated by the fact that many industrial activities, both manufacturing processes and, more recently, services can increasingly be divided into multiple tasks to be assembled into a final product. Our industries compete in an increasingly competitive international market in which you either continually improve your productivity or you go out of business. These markets have changed considerably from the days when tariff walls surrounded many developed nations, including our own.

In this context, people have become concerned about job opportunities being transferred elsewhere, and many media and consultants' reports tend to dwell on this. For example, there is Forester Research's 2002 forecast that by 2015, some 3.4 million U.S. service jobs are expected to migrate overseas, and Gartner Incorporated's forecast for the United States that a quarter of all U.S. information technology jobs will move overseas by 2010. We also have a recent, April 2004 report by PricewaterhouseCoopers that foreign outsourcing by Canada has lagged behind that of the United States but is expected to pick up momentum over the next couple of years.

There's no doubt that the trend in these reports is true. The world is increasingly becoming an integrated supply chain. We only have to look at the front page of the October 23 *Les affaires*, where we see a picture of the Miracle Bubbles product, in which the soap comes from Mexico, the bottle from the U.S., assembly in China, packaging in Hong Kong, all for final sale in Maniwaki, Quebec. It's a product with several international inputs and it sells for \$1.19, quite remarkably. Larger products can easily involve dozens of international parts suppliers. A typical automobile engine, for example, has inputs from about 140 suppliers, and a typical automobile involves about 350 suppliers.

While media reports of the foreign outsourcing numbers look large, they are not when compared with labour market activity in the total economy. A 2004 report on outsourcing by the U.S. Government Accountability Office noted that while layoffs in the U.S. attributable to overseas relocation have increased since 1999, these represent less than 1% of laid-off workers in the country as a whole. Furthermore, these figures ignore jobs gained by foreigners sourcing their production, or part of their production, in North America. These jobs can be important. A recent report by the Joint Economic Committee in the U.S. stated that between 1988 and 2002, majority-owned American subsidiaries of foreign companies created 2.3 million jobs in that country.

We are all familiar with this kind of positive foreign investment in Canada. One example is Ericsson, which has a worldwide mandate

and employs more than 1,200 people in R and D in Canada. Another is the location of the Merck Frosst Centre for Therapeutic Research in Montreal, and there are a host of others; the point is, the flow goes both ways.

• (1540)

Our manufacturing sector in Canada is strong. We have experienced growth in most of the sector during recent years, particularly in the production of manufactured, resource-based products and transportation equipment. We acknowledge that there are some pressures being experienced in such areas as clothing, furniture, and leather goods. In most cases, adjustments have been made to focus on higher-value niche markets. In other cases, there have been closures, but relative to the size and growth of our manufacturing sector these changes can only be considered normal.

The process of consistent change is a key characteristic of the modern market-based economy, and it explains some 15% to 20% of Canada's growth in labour productivity. In 2003 there were about 2.2 million firms in Canada. Although I can't give you today's numbers, it is noteworthy that 40% of manufacturing plants in existence in 1997 did not exist in 1988. Moreover, some 47% of firms that were in existence in 1988 had closed their operations by 1997.

Another area where concern has been expressed is the increasing international investment in India and China in research and development facilities for computing, automotive, and life sciences. However, this type of investment is generally carried out through foreign direct investment and the firms involved often retain the control of their research and development activities.

With respect to the services sector, we have all heard stories about how companies will increasingly offshore their accounting, human resource, architectural, data entry, and a host of other services employment, but most of the evidence so far is that Canada has been a net beneficiary of services outsourcing. A number of U.S.-based companies have established call centres in Canada. A recent study by PricewaterhouseCoopers entitled *A Fine Balance* suggests that Canada may have 150,000 call centre workers servicing U.S. firms. In addition, 15,000 to 20,000 skilled information technology workers may be engaged in outsourcing projects.

This same study observes that the tendency of Canadian firms to not do as much foreign outsourcing as U.S. firms is about to disappear. PricewaterhouseCoopers states that with increasing awareness of the benefits of foreign outsourcing, Canadian companies are waking up to relocating activities offshore. They point out that "it is entirely possible that 75,000 or more Canadian information technology jobs will move offshore or be repatriated to the U.S. by 2010, along with an equal number of knowledge-based functions". While this is a significant number, it is less than 25% of the employment increase realized in Canada during the first nine months of this year alone.

Having said that, PricewaterhouseCoopers notes that protectionism is not the answer to the foreign outsourcing issue. They point out, instead, that companies and government should work together to address the impact on laid-off employees and on the competitiveness of the Canadian economy. They also suggest that governments, business leaders, and the IT industry should focus on ensuring that Canada will compete and win in tomorrow's high-value IT services, research and development, and innovation.

Canada can benefit from foreign outsourcing. By outsourcing part of the production chain to areas of the world where there is a competitive advantage, our labour force and capital can be deployed to higher-value industries and to higher-paying jobs. To ensure that we continue to have a strong comparative advantage in high-value-added jobs, we need to make sure that Canada continues to excel in providing a solid base for the development and manufacturing of high-value-added goods and for the provision of supporting and leading-edge services.

Canada needs to continuously improve its competitiveness framework. The physical and legal infrastructure needs to be exemplary; workforce skills need to be moulded with a forward-looking strategy; our investment climate needs to be captivating; and all of our internal barriers to competition and innovation need to be eliminated or at least minimized. We must provide a leading-edge framework that enables Canada and Canadians to take advantage of the many opportunities of the ever-changing and dynamic world of the 21st century.

We are a trading nation, and to reap the continued benefits of that we must be a nation of traders. Foreign outsourcing, both in Canada and outside Canada, is an integral part of that strategy.

Thank you, Chair.

• (1545)

**The Chair:** Thank you, Mr. Yeates.

We'll start the questions. I have Michael and then Paul.

**Mr. Michael Chong (Wellington—Halton Hills, CPC):** I'm not sure if there are any stats or quantitative evidence for my question. I suspect there probably aren't, but when I read your report here, and some of the other research, one of the things that struck me is that as trade becomes freer and we start developing cross-border supply chains and whatnot, one of the hidden costs not really built into any of these analyses is transportation.

In the province of Ontario, there are huge investments that need to be made into cross-border infrastructure and highway systems, and

most of this trade in the heartland of Ontario is not being done by rail or shipping but by transport trucks.

Have there been any reports or analyses done of the hidden costs of these cross-border supply chains as they relate to the huge investments in public infrastructure that governments need to make?

• (1550)

**Mr. Neil Yeates:** I'm not aware of any specific studies on that particular factor. I think we would assume that companies would be looking at that pretty carefully in terms of transportation costs. You're right that those costs can be significant, and we have experienced bottleneck issues, as you'd be aware, with some of the border issues we've had. So I think those have become increasingly important issues in the supply chain.

Chummer?

**Mr. Chummer Farina (Director General, Industrial Analysis Branch, Department of Industry):** I'm not aware of any studies either that look at that specifically.

**Mr. Michael Chong:** It would seem to be that one of the things that some of these reports, like UNCTAD, mention is that it looks like there is a net benefit. But if you look at the investments in infrastructure that need to be made in this country in the coming years and the backlog we're facing, a lot of it has to do with the fact that our highways are being pounded by heavy trucks. This comes out of the government's purse. It's not factored into the supply chains of these companies. I'm just curious as to whether there has been any discussion or consideration of that.

**Mr. Neil Yeates:** All I might add is that I think we would agree that the infrastructure costs are substantial. There has been, and will continue to need to be, a lot of investment in infrastructure. Many of our industries are at least integrated on a North American basis, so it's just really an assumed part of how these goods and services flow today.

**The Chair:** Mr. Ready.

**Mr. Robert Ready (Director, Services Trade Policy Division, Department of International Trade):** Thank you, Mr. Chairman. Maybe I could respond in part to the question.

As the two presentations suggested, outsourcing is relevant both to manufacturing and to the services economy. In the area of the economy that I work in, the services side, one of the real drivers now of outsourcing in those sectors is in fact the digitization of a lot of information and the fact that a lot of those international and even domestic transportation issues are in effect virtually costless in a digital context. So while it's an issue on the manufacturing side, I think there is a very strong driver to outsourcing on the digitization side in the services economy.

**Mr. Michael Chong:** That reminds me of another question I want to ask you on the services side.

As outsourcing becomes increasingly the trend in the service sector—and information technologies were mentioned—how does the government ensure that it's getting its fair chunk of the taxes, where appropriate?

I'll give you a very tangible example. Ten to fifteen years ago, if somebody designed a software program, they could do that in Canada. It wasn't convenient for that to be developed in India or in China and then shipped over here. There are physical shipments that would have to happen and identification of the product, and either duties or the appropriate taxes were applied. Now you can pretty much do that by e-mail or over the Internet through downloading the program that was developed offshore.

Has there been any thought about how to manage that environment, which could be very prevalent or possibly even the majority of how software and those kinds of technologies are developed in Canada in 10 or 15 years?

• (1555)

**Mr. Robert Ready:** That's an important question in the context of the trade field where I do some work. It's the subject of discussion, for instance, at the World Trade Organization on the customs duty moratorium that is in place on electronic commerce transmissions. I would have to say that I am really not the official responsible for that particular area. It's really our colleagues in the Department of Finance who are probably best placed to give you a sense of the work they may be doing or some of the policy development in that area.

I'm sorry, I'm not really in a position to go into much further detail on that.

**The Chair:** Thank you, Michael.

A final comment, Mr. Parsonage.

**Mr. Keith Parsonage (Director General, Information and Communications Technologies, Spectrum, Information Technologies and Telecommunications, Department of Industry):** I would add that one of the specific transaction issues raised in the PricewaterhouseCoopers report is that you need to look at what the implications are of such things as withholding taxes, the transfer pricing things that need to come in, depending on how governments may interpret some of these things as a way of escaping proper taxes to be paid.

In that particular report, called *A Fine Balance*, section 3 deals specifically with those types of considerations that companies need to take into account when they're making those decisions on whether to outsource.

**The Chair:** Before I turn to Paul, I'd just ask, is that a public report?

**Mr. Keith Parsonage:** Yes, it is a public report.

**The Chair:** Is there a website?

We'll get the information.

**Mr. Keith Parsonage:** I'll leave this with your clerk.

**The Chair:** If anybody wants a copy, we'll let you have the access website.

Paul Crête, please.

[Translation]

**Mr. Paul Crête:** Thank you, Mr. Chairman.

I'd like you to tell me how many jobs will be lost in Canada and Québec in the textile, clothing and leather industries, compared with the situation in 2002, for example, which was the year that Mr. Chrétien started the money flowing into the textile industry, and the same for 2006 or 2008. That way we can see what the impact has been over a number of years. Are you able to provide us with figures for those three industries—textile, clothing, and leather?

[English]

**Mr. Chummer Farina:** Perhaps I could have a bit of a go at that.

I think it's very hard to say how much is due specifically to outsourcing. I think you can say that there has been a decline in employment in the sector, for sure. I'm not sure of the exact numbers. I think it's 8% over—

[Translation]

**Mr. Paul Crête:** Excuse me, but I didn't say anything about outsourcing; I talked about lost jobs. That may be more general, or less difficult to ascertain than for outsourcing. I want to know how many jobs will be lost in the textile, clothing and leather industries. Those are the three industries you mentioned as being weak.

[English]

**Mr. Chummer Farina:** Sorry, we'd have to get back to you on that. I don't know the exact answer to that.

[Translation]

**Mr. Paul Crête:** Fine, thank you.

In your opinion, are working conditions and environmental protection measures in such countries as India and China equivalent to those required here in Canada?

[English]

**Mr. Neil Yeates:** Perhaps I can comment. It's not something we have looked at closely. Just from what we know in a general sense, I would expect that they're not, that the standards are different in those countries from what you would find in Canada.

[Translation]

**Mr. Paul Crête:** Under the circumstances, do you not think your Department should be making recommendations to the effect that international agreements should be reviewed in light of these criteria?

[English]

**The Chair:** Paul, if the witnesses are prepared to answer, fine, but I'm not sure we have the right people here for those questions.

[Translation]

**Mr. Paul Crête:** That isn't a political or partisan question. This Department is responsible for determining how many jobs will be lost. Is it considering strategies that could be developed in future to prevent these jobs being lost? Is there no strategy being developed at Industry Canada to address that situation?

[English]

**Mr. Neil Yeates:** I can certainly speak to some of the things we've done to mitigate the impact on the apparel and textile industry, because, yes, we felt that—

[Translation]

**Mr. Paul Crête:** But they're not working.

[English]

**Mr. Neil Yeates:** —there would be an impact. There are a number of things that we've put in place, not all in our department but across government.

One is that since 2002 there has been about \$10.9 million invested with the Canada Border Services Agency to improve monitoring of imports against illegal transshipments. We in Industry Canada have run a \$33-million Canadian apparel and textile industry program. That has been followed by a \$26.75-million CANTex program to deal with textiles and productivity improvement, to help companies move really what we would describe as being up the value chain and become more productive, and I think there has been some success with that. A plan has also been announced through the Department of Finance for three-year tariff reductions for products that are imported and used by Canadian manufacturers.

So there has been a package of those things in recognition of the impact on our industry.

• (1600)

[Translation]

**Mr. Paul Crête:** I note that you're able to tell us how much money you've spent in the past, how you're spending now and how much you will be spending in future, but you are not able to say what impact there will be on jobs. We already know how much money has been allocated to the textile industry program, CATIP. But what will the end result be? Let me give you a specific example.

In Saint-Pamphile, in my riding, a plant by the name of “Industries Troies” received funding under CATIP. And yet it ultimately had to shut down, resulting in the loss of 200 jobs. This is a reality that is going to become increasingly common. Even though in a general sense, the economies of Canada or Quebec are performing well, workers from soft sectors are not able to be placed in other industries. It simply isn't possible to turn a professional seamstress into a woodworker overnight. It's a tough situation. My question is probably addressed more to the officials from International Trade.

What is Canada's attitude towards countries that provide special subsidies to manufacturing industries? I'll give you an example.

There is a tannery in my riding; it's the last one operating in Canada. They tan leather there. National Defence has given it a contract to make army boots. The three boot manufacturers in Canada buy their leather in Brazil, thereby enabling them to secure the National Defence contract.

Does the Department of International Trade or Industry Canada know whether these businesses are being subsidized by Brazil? I say Brazil, but it could be a completely different country. Do you have any strategy in place to counter the protectionist policies of certain countries that manage to derive a benefit at both ends? They're part

of a free trade market, but they continue to be protectionist. Do you have any assessment of that?

[English]

**The Chair:** Are there any takers?

**Mr. Robert Ready:** Mr. Chairman, I'll try.

Once again I'd have to say I'm not exactly the right official from International Trade Canada to speak to this particular issue. There is a trade remedies division, and there are officials who work on trade remedies in the department and who administer our participation in the subsidy and countervail agreement, for instance, at the World Trade Organization. In other agreements they lead the participation of Canada in negotiation of changes to those rules. There will be other officials who might engage with Brazil on a bilateral basis, if Brazil is the example on the table, for a discussion. There are Canadian posts on the ground in countries like Brazil and others that are in a position to provide some reporting with respect to programming in those countries. So there is a range of opportunities for International Trade Canada to get some of the information you referred to and to take action if appropriate.

Unfortunately, on the specific point, I'm not the official to respond. Maybe my colleague John can add something.

**Mr. John Schwartzburg:** I can add a little bit. Again, it's outside my current area of responsibility, but in terms of specific remedies available to companies that feel they have been hurt by subsidized imports from abroad, I believe there are still processes for launching investigations.

The former Revenue Canada Customs—I think it's now Canadian border services—have, in their countervail on anti-dumping, investigative teams that will investigate these complaints and bring them forward through the investigative and tribunal process. Unless things have changed dramatically since the years I used to work on it, if through the judicial process companies are found to be receiving subsidies that are contrary to World Trade Organization agreements, the Canadian government is positioned to put countervailing duties in place to even the playing field.

• (1605)

**The Chair:** Thank you. We'll come back, Paul.

We'll go to Denis, Brian, then Werner.

[Translation]

**Hon. Denis Coderre (Bourassa, Lib.):** Thank you, Mr. Chairman.

I want to pursue the line of questioning raised by my colleague, Paul Crête. There's a chance that we will be hit with quite a few cases in Montreal that are similar to the Saint-Pamphile situation. That is where we're at. I want to address a couple of points, but first, I would like to focus on this notion of adaptability.

In its last budget, the Canadian government talked about a budget envelope of some \$60 million over three years in new money for adaptability measures. I have the feeling not much has been done in that area. Am I right or wrong? Has anything been put forward? If so, could you tell the Committee what the Department's strategy is in that regard?

As Paul said earlier, a professional seamstress can't just go out the next day and find another job. Particularly in the Montreal region, there are a lot of people from communities where it's their first job. They are in a transition phase, and adaptability is critical. For this to work, they have to start off on the right foot. So what is happening with the budget? Have measures already been put in place?

[English]

**Mr. Chummer Farina:** Perhaps I could attempt to answer that a bit. Again, I'm afraid it's not in our area of responsibility. That would be under Human Resources and Skills Development—

**Hon. Denis Coderre:** Maybe I should ask PricewaterhouseCoopers.

**Mr. Chummer Farina:** No, I think Human Resources and Skills Development is the organization that is responsible for that money and for EI and generally for assisting—

**Hon. Denis Coderre:** No, no. The money for adaptability of enterprises that had a direct impact on the employees—the \$60 million we announced for three years—was from Industry Canada. It's not about EI. EI is another issue, about taking care of employees. The adaptability that has a direct consequence on the enterprise itself to adapt themselves is what I was asking about.

**Mr. Neil Yeates:** Yes, you're right. We have implemented the two programs for apparel and textile manufacturers. We anticipate all of those funds will be distributed. I didn't bring the specific details today.

**Hon. Denis Coderre:** Okay. But right now, nothing has been distributed?

**Mr. Neil Yeates:** No, it has. There are two program components. One is what we've called CATIP; it's the Canadian apparel and textiles industry program. That has largely been distributed. The new program is called CANtex, and we are just taking applications for that program now, just this month.

**Hon. Denis Coderre:** This is part of a new one?

**Mr. Neil Yeates:** Yes, that's a new intervention. They both really have a very similar objective; that's to help companies become more productive, more competitive, and so on.

What Chummer was referring to was.... You're right; there are two strands to this. We have the company-specific assistance; the individual assistance is through HRSD. But yes, we have those two programs, CATIP largely distributed and CANtex just starting up this month.

**Hon. Denis Coderre:** If it's just starting this month, because there is an impact with the application of what we announced for Africa

and Bangladesh, do we not feel—and this is not a political question—that maybe we should evaluate, before imposing the new policy in 2005, some extra years? I'm not sure the timing is perfect between the adaptability measures and the application of the international position we've taken.

• (1610)

**Mr. Neil Yeates:** We tried to coordinate those two things. It's always a bit tricky. This second component has taken a little longer to get started than we had hoped, but it is underway now. We'll continue to monitor this, sir, and see how it goes.

[Translation]

**Hon. Denis Coderre:** I want to move now to international trade. I, too, am very concerned about the issue of labour standards. Outsourcing has certain perverse effects on existing jobs. Is an international convention on labour standards currently in effect? If the flavour of the month is offshore, I think it would be appropriate for there to be some way for us to protect ourselves when it comes to labour standards, along the lines of the World Trade Organization.

Even though Senator Kerry in the United States is saying this is not acceptable and that companies that give business contracts to people who use outside workers should be prevented from doing so, shouldn't Canada be showing leadership by saying, if there is no international convention on labour standards, then let's develop one? If we're going to talk about the economic environment, we should also be talking about working conditions and seeking to protect existing workers, like those who will be coming in to work and who may be subject to the darker side of this concept we call capitalism.

I'm trying to be less cynical.

[English]

**Mr. Robert Ready:** Once again, Mr. Chairman—

**Hon. Denis Coderre:** You're not the person for it. Okay, maybe we should have another meeting.

**Mr. Robert Ready:** —the questions that are coming forward today are across a spectrum of issues that are out of my scope of responsibility, which is the services trade policy area.

I can say that there is—

**Hon. Denis Coderre:** Yes, but that's a commercial policy.

**Mr. Robert Ready:** —as you note, an international organization related to labour and conditions of labour, the International Labour Organization. There are also international provisions in instruments of the OECD related to the operation of multinational enterprises that touch a little bit on labour matters, but that's about as far as I'm in a position to respond to the question, unfortunately, Mr. Chairman.

[Translation]

**Hon. Denis Coderre:** I have one last question.

We talked a lot about Smart Regulations last week. But I think it's important, particularly in any discussion on offshoring, that you explain what your relationship is with other departments.

Having worked in immigration and knowing that five years down the line, there will be a shortage in Canada of about one million skilled workers, I'm having a little trouble following you in terms of your strategy on outsourcing. Here we are facing a problem in terms of numbers of skilled workers.

In that context, are you developing a strategy with other departments, and particularly Immigration Canada or Human Resources and Skills Development? This is also something that affects industry. From what I understand, at the time, there was a tripartite relationship whereby you could expedite the process, as long as the rules were followed.

You talk about competitiveness, but we have a huge problem with skilled workers. And yet you don't want to encourage cheap labour. So, there has to be a balance between labour standards, protection against the perverse effects of outsourcing, and so on, and massive use of foreign workers, which would affect not only your production costs, but your company's or industry's competitiveness.

Given all of that, what are your relations with the other departments? Has the action plan we were promised been implemented?

[English]

**The Chair:** Thank you, Denis.

**Mr. Neil Yeates:** I can speak to what we're doing in Canada with a number of industry sectors. We're working closely with HRSD on developing what are being called sector councils to deal with skills and workplace training issues. There are 27 of those in place right now. As an example, with the automotive sector we have a partnership council actually meeting tomorrow. There is a subgroup that works explicitly on skills issues for the automotive industry

The issues you raise in and around immigration may be more or less important depending on what industry sector you're dealing with, but that is how we're doing the work with the industry groups by working closely with the industry sector itself. Most of these have national associations of some kind.

•(1615)

**Hon. Denis Coderre:** We're not talking about that here.

**Mr. Neil Yeates:** Are you talking about immigration issues?

**Hon. Denis Coderre:** Do you have or not a relationship with Immigration Canada right now? Are you working with them?

**Mr. Neil Yeates:** I believe they are involved in many of these sector councils, sir.

**The Chair:** Okay, just a final word.

**Mr. John Schwartzburg:** I could add a little at the very practical level. In our embassies and missions around the world where there are specific questions of getting technical people into Canada for specific reasons, there is close cooperation between the officials of Foreign Affairs and International Trade Canada who are posted abroad, the trade commissioners, and the immigration officers who are there—

**Hon. Denis Coderre:** You are finally cutting the red tape. Good. Congratulations.

**The Chair:** Thank you, Denis.

I'd just invite colleagues to pursue this subject. It gives us an idea of some of the areas. We're not going to find witnesses who will give us everything, but this gives us areas to pursue.

Brian, Werner, and then Andy.

**Mr. Brian Masse (Windsor West, NDP):** Thank you, Mr. Chair, and thank you for coming today.

I can provide you with some information. The Ontario Chamber of Commerce has the most recent study, and there are several, about infrastructure deficiency in Ontario. It has cost \$4 billion this year alone in terms of trade disruption because of lack of infrastructure. That's just a single year. There are several studies that go back through four or five years. It's been a major problem.

The first question I want to ask is related to the auto industry. We know we have half a million jobs in the auto sector and 93% of our exports go to the United States. There has been a long complaint within the industry about harmonization with the United States and the issues we face with our own industry over here. What has the department done to address this issue? It's being released as part of the report of the Canadian Automotive Partnership Council, CAPC. Number two is infrastructure and number four is harmonization. What has the department been doing about that over the last years and what is it intending to do in the upcoming year? What's the plan for that?

**Mr. Neil Yeates:** It is an item on the agenda tomorrow at the CAPC meeting. There's a report specifically on a regulatory subcommittee of that group, and we'll be discussing with them what further work needs to be undertaken. We understand it is a key priority.

The industry strongly believes, and we agree with them, that it's important that we look at those issues. There are a number of departments that are involved with that. Of course, it's not just industry. There are issues that Transport Canada has the lead on, on emissions and things like that.

We will be looking to continue to bring other departments together to work with us and with the auto industry to see what progress can be made.

**Mr. Brian Masse:** I guess one of the biggest complaints I've had and one of the concerns that has been expressed is, who is taking the lead on this? What department will be taking the lead on this issue? I would imagine there has to be somebody quarterbacking, because you're right, there are several different departments that cross over. That's a fair issue, or barrier, that we face. Is there any decision on that?

**Mr. Neil Yeates:** We coordinate the CAPC process, so I think it's really our role to make sure that with all of these subgroups the necessary work is being done. We take that responsibility.

**Mr. Brian Masse:** In that vein, in terms of our trade and export, as well as the dollar, what is the position of your department on the pricing of the dollar, or does it take any action? The automotive industry quite literally cannot deal with the high dollar as it is right now. It is a threat, and if it continues to rise, it will be even worse.

Specifically, if it's at 75¢, the U.S. can offer subsidization to the U.S. plants and be able to track them. If it goes even higher than it is now, then we're looking at greater barriers to be able to track the industry. So what does the department do when the dollar starts to climb like it has?

**Mr. Neil Yeates:** Our focus, and the minister's focus really, has been on looking to improve competitiveness in Canadian industry. The dollar isn't what we would specifically do anything about. That would be in the purview of the Minister of Finance.

However, our focus is on competitiveness and helping industry to become more competitive to withstand those kinds of external shocks to the greatest degree possible. We recognize that the appreciation of the dollar has had a significant impact on some areas.

**Mr. Brian Masse:** So right now there is no position for the Minister of Industry in terms of the dollar. Well, 12% of our manufacturing is related to the auto industry or GDP. I guess the dollar could climb to match the U.S. dollar and it wouldn't make a difference, and there'd be no speaking up from the department about the effects on the industry.

• (1620)

**Mr. Neil Yeates:** We would continue to focus on competitiveness.

**Mr. Brian Masse:** Yes. Well, that's a problem. Hopefully that will be addressed tomorrow, or at least there will be discussions.

If I could move onto another issue—and I apologize for leaving the presentation for a moment—I'm wondering whether there was any discussion or issues related to outsourcing outside of Canada on the competitive advantage we might have with security of energy and pricing, cost of insurance, and also emergency response ability. Are those factors looked at in providing incentives—not incentives, but a case to keep manufacturing in Canada versus the rest of the world.

I know with respect to energy, for example, the manufacturers recently noted that there was over a 100% increase in the last five years. It is one of the things they didn't account for and it has had a huge impact, far greater than wages or anything else they've had to deal with. What about energy as an issue?

**Mr. Neil Yeates:** I can't speak in detail to that. We know for specific sectors that energy is a huge driver of their cost competitiveness, and it's been a big issue, particularly natural gas prices.

Overall, in general, Canada has come across very well in terms of cost competitiveness as a place to do business. There have been a number of independent studies that have spoken to that. So we think overall, in general, Canada is positioned well.

**Mr. Brian Masse:** So you're not hearing any complaint from industry concerned about the price of energy then?

**Mr. Neil Yeates:** No. We are. That's what I said.

**Mr. Brian Masse:** Oh, sorry.

**Mr. Neil Yeates:** In specific groups it's a huge concern. For specific industries, yes, it is a big issue for them.

**Mr. Brian Masse:** Last question, Mr. Chair.

How do you differentiate in the department? Is there a mechanism, for example—and the dollar is a good example and so is energy. If the price climbs, it affects one industry very much; another one it might help. How does the department deal with those situations? Does it just field questions, or does it have a policy overall...?

**Mr. Neil Yeates:** We interact with a lot of different industry groups. That's what my area does, and we look at these various issues and factors both on an industry-specific basis and across industries as a whole. That would be discussed further within the department, with other departments, and so on.

We look at what kind of macro interventions the department might want to advance, as well as what things are most relevant for that particular industry sector, and they can be quite different. So with regard to the approach we've been looking at, which is competitiveness and trying to advance competitiveness, we feel there are those macro types of approaches that are needed, but at the same time we need to get in and work closely with each sector to figure out what's most appropriate and what are some of the key levers for each industry, as they can be quite different. That's where we're going in advancing our work.

**Mr. Brian Masse:** That's actually helpful.

I have a question for international trade. When legislation is introduced in the United States, like the Bioterrorism Act—and right now there's the U.S. Patriot Act and how it affects outsourcing—what role do you guys play in assisting small and medium businesses in particular that have to go through this field of change that is necessary to meet the export demands?

**Mr. John Schwartzburg:** It's essentially the work of the Trade Commissioner Service to get out there and explain the Canadian concerns to Americans.

There are two sides. There's an advocacy side. We have key messages that we want to deliver to state and federal legislators, for example, to try to get them onside in understanding what Canadian concerns are and the potential impact of legislation. Because of the closely integrated nature of our economies, it's fairly easy to point out to them that a measure they are thinking about putting in place may not necessarily be directed at Canada, but rather at a third country, and could sideswipe Canada. In doing so, it actually hurts them because of the closely integrated nature of the economies.

We try to identify those companies, the key players, to get the messages out and get them onside so they can lobby on our behalf as well. The message is more effective coming from a local campaign contributor than it is from the Canadian government in expressing concern.

When dealing with Canadian companies, we explain to them how to deal with Americans, how to be aware of their concerns, and where they need to adjust or amend their business practices to meet the U.S. concerns, without overstepping Canadian rights, to facilitate their efforts to do business in the United States and with Americans.

•(1625)

**Mr. Brian Masse:** Have we ever contested any legislation as a non-tariff barrier? Some of these new legislations are slowing down the border in making decisions to relocate plants or create new plants in the U.S. as opposed to Canada. We've actually seen an employment shift.

**The Chair:** Thank you, Brian.

**Mr. Brian Masse:** Thanks.

**The Chair:** I'm not sure if there's a quick answer to that.

**Mr. John Schwartzburg:** Yes, I think there is. I'm not aware of any direct protest, an official one, yet. None have actually made it all the way through to legislation. Several have gone forward as suggestions. We've lobbied in Washington, we've lobbied at the state level, and they've been vetoed by the state governor. That sort of thing.

We continue to monitor it. If there is anything that goes forward at that point, and it's in contravention of any international agreements, then yes, it moves forward to the next level of protest.

**The Chair:** Thank you.

Werner, and then, Andy.

**Mr. Werner Schmidt (Kelowna—Lake Country, CPC):** Thank you, Mr. Chair.

I'm going to defer to Brad, if I may.

**Mr. Bradley Trost (Saskatoon—Humboldt, CPC):** First let me say, as my preamble, that I think there are two ways to look at this. Is the glass half full or is it half empty? I guess I'm trying to concentrate on what policies we can push forward, be it in committee or outside, to make the glass continuously full.

I was looking through one of the reports. I have a couple of these things here. It talked about how India, Israel, Canada, Ireland, etc., had been the primary beneficiaries and the most successful in attracting... I thought, in looking at it, that it's actually a fairly diverse list. They are not four countries that you'd usually group together on anything. I don't know on what other list those would be the top four countries.

From your perspective of having studied and looked at this issue, what were the specific policies? Was it purely geography in Canada's situation? What is it that has caused those countries to be successful in attracting this kind of investment in jobs and intellectual capital, whatever went in there?

Could you take that away? What are the policies? What have you seen in those countries that has attracted the outsourcing to these four countries? What draws them together?

**Mr. Chummer Farina:** I think they are four quite unique countries with four unique reasons. In our case, I think it's our proximity to the U.S. Most of the service industry outsourcing has been from the U.S. to Canada. I think that's probably the strongest reason, plus the cultural one. There isn't a huge issue there of language, business practices, or anything of that type.

If you look at Ireland, there's a whole set of tax issues that come into play there. Israel is another issue altogether, I would suggest.

I think each one is quite unique. I don't think you could find a common denominator among all of those that would say this is the reason and that's the lesson we can learn from them.

**Mr. Bradley Trost:** Does anyone else want to run with that one?

**Mr. Keith Parsonage:** I would just point out that if you go to the website of the Information Technology Association of Canada, you'll see an assessment posted of what India has done to support the growth of its software and services industry and what Ireland has done. It is quite a succinct condensation of the specific policies that have been brought into play. I'll leave a copy of that with you.

**Mr. Bradley Trost:** That will answer a few of my questions. Specifically—again, to reiterate—what industries has Canada been the most successful in attracting? Have there been specific areas of industry we've been successful in attracting? Again, was it purely the cultural or geographical reasons? Otherwise, what are the policy and economic reasons we're attracting them from the United States, and what can we do to hold and increase our productivity and competitiveness in those and other industries?

**Mr. Keith Parsonage:** We've certainly been very successful in attracting call centres to Canada, the success being based on our modern telecommunications infrastructure, on the issues of proximity, culture, language, and time zone differences, and on our being one of the most cost-competitive locations in North America to do those things.

I'll give you an example. Just recently Dell relocated one of its major call centres from India to Edmonton, creating 500 new jobs. That was announced back in July of this year.

**Mr. Bradley Trost:** Does anyone else want to take the floor?

**Mr. Neil Yeates:** I might just elaborate a little on what Keith has said. I think that fundamentally we're a cost-competitive place to do business, and that's where we're starting from. We also have a highly skilled workforce, and with respect to the OECD, we rank very well in terms of the educational attainment of our workforce. That's a very important starting point for us in terms of being able to attract some of these businesses.

• (1630)

**Mr. Keith Parsonage:** I would like to continue on that theme. For example, IBM has one of its largest, very upscale call centres located in the Markham area. It has done so because of the multilingual capability that exists in that city. They've been able to attract not only the skills but also the language capacity to service their world markets.

**Mr. John Schwartzburg:** I'd just like to do a little commercial for the trade commissioner service. Our trade commissioners posted abroad work very closely with our colleagues in Industry Canada and the investment partnerships branch and with provincial colleagues. The Province of Quebec has been particularly helpful over the last number of years in developing key messages, where we go out to corporations around the world explaining the advantages of doing business in Canada. There's the highly trained workforce. There's an old statistic we've been using for the last number of years that's still true: Microsoft hires more than half of its workforce from Waterloo and other Canadian universities.

So we have very strong messages about why Canada is a good place to invest. When a company invests in Canada, it's outsourcing to Canada, be it for manufacturing, data processing, or call centres. We've done a very good job in creating the infrastructure here. New Brunswick is fully wired, I think, and that's what enables them to attract companies. There are success stories all across the country. Every province has them.

**Mr. Bradley Trost:** I have one last one here. I can keep building on this underlying theme, but the last paragraph of Mr. Yeates' report talks about the "physical and legal infrastructure". I am particularly interested in the legal infrastructure portion of that because we were working with the smart regulations report last week. Is that what's tying in there? What specifically, as far as the legal, regulatory infrastructure is concerned, would you recommend that Canada should be looking at to increase our competitiveness and productivity in these areas?

**Mr. Neil Yeates:** When we say that, we are referring to the really broad set of marketplace frameworks we have in place. Whether it's competition or business policy writ large, it's very important that we keep that up to date and in line with what's considered to be best practice.

It gets back to some of the other questions, as you referenced, on regulatory harmonization and regulatory renewal. That is a critical, competitive driver, the competitiveness factor, for us as a country, so it's critical that we keep up to date with that and invest in our regulatory system.

**The Chair:** Thank you, Brad.

Andy.

**Mr. Andy Savoy (Tobique—Mactaquac, Lib.):** Thank you, Mr. Chair.

To go back to your comments about New Brunswick, I can tell you, having lived it, why New Brunswick has been so successful in terms of call centres. There was a strategic direction taken at the time by the government and the phone company, NBTel, to become the first fibre optic network jurisdiction in North America. They had a bilingual workforce and they had a strong training program, so they had the infrastructure in place, whether it be human resource infrastructure or physical infrastructure, to be successful, and obviously they achieved a competitive advantage.

In looking at Canada and how we achieve a competitive advantage per se in terms of offshore outsourcing or offshoring, I think it's key that we have the competitive advantage, and it has to be in a number of areas. In terms of value, we have to be at the high end of the value curve both in terms of product development, where we are actually a destination for R and D and are at the front end of the product development life cycle—I think that's critical—and also in terms of manufacturing and labour, where we're at the high end of the value chain as well.

With respect to achieving this in innovation and the product development life cycle, we have an innovation agenda in front of us. To be number five in the world by 2010, I think, is our goal, which is certainly achievable and in the right direction. We need some infrastructure in that regard to get there. In terms of labour, we also need a strong strategy, which is being addressed by HRSD as well, and in terms of manufacturing, we need innovation. We need to be at the high end of the curve in terms of value there.

Looking at that challenge of having that infrastructure in place to give us that competitive advantage at the high end of the value curve, would you say we're on the right track? Do you have any recommendations on what else we should be doing? Do you see areas where we are falling behind? Do you see areas that give cause for concern? Obviously, to be a source for offshoring and offshore outsourcing, we need to have a competitive advantage, and we should be doing everything we can to make sure we are in fact reinforcing that and that we have the plan in place. Do you have any ideas in terms of infrastructure initiatives, whether it be about labour, manufacturing, or innovation, that you could recommend to us and that we should be pursuing?

•(1635)

**Mr. Neil Yeates:** I think, broadly speaking, we would feel that all the areas you've mentioned—and you've hit on the key areas—are moving targets for us. The competitor countries are all moving forward with their own strategies in these areas, and we really need to keep moving forward on all these fronts. We are in a fairly good position in a number of these, but we feel we can't afford to be complacent about that; we need to keep pushing ahead.

With respect to innovation, R and D, workforce, and so on, we need to keep moving forward on all those fronts to ensure we keep the competitive advantage we have and, where it's possible, increase that competitive advantage. The main drivers you've identified are all areas we continue to work on.

**Mr. Andy Savoy:** I think we have a serious deficiency, actually. We are the only G-7 country without a national academy of sciences and engineering. When you talk about innovation, you can't get much more critical in terms of innovation and moving forward than science and engineering. I wonder what your comments would be on that front. I see it as one of the pillars of innovation and moving forward. Do you see it as a priority for the country or do you see it as something we can live without?

**Mr. Chummer Farina:** I would just draw to your attention that the Prime Minister, in the Speech from the Throne, in fact made a commitment to move forward on that very file. It's been around for a couple of years, and the department has worked quite extensively on it with the scientific community. I believe we have recognition now that it's an important file and that there will be some movement on it.

**Mr. Andy Savoy:** So you're confident that we will be able to move on the file and that in fact the department is on board as well.

**Mr. Chummer Farina:** The department is on board. It's there for sure, yes.

**Mr. Andy Savoy:** This relates to Mr. Coderre's question. In terms of skilled labour, we have a problem with value adding in my riding. We have a resource-based economy, and in the resource-based sectors about two of the jobs are in harvesting resources, five of the jobs are in value adding, and three of the jobs are in retail-wholesale. In terms of value adding, we need the necessary skilled labour to do that, tradespeople such as electricians, mechanics, and welders. We are looking at a serious deficiency in the next five to ten years of tradespeople. In terms of your communications with HRSD, do you feel that has been addressed adequately?

**Mr. Neil Yeates:** I think that issue is absolutely on the radar screen, and in a lot of the sector-based discussions in which we're involved, the apprentice trades are a key target in terms of increasing supply.

**Mr. Andy Savoy:** Excellent.

Looking at other countries—which goes to international trade—we know some initiatives are bandied about in the U.S. and France about moving forward, whether they are penal, in terms of the Benedict Arnold CEOs, tax incentives, subsidization, or investments by the parent country.

Do we have a good idea of what countries will be coming forward with what initiatives, and maybe a timetable or a projection on that

front? Do we have a strategy to combat that in working at the international level?

**Mr. John Schwartzburg:** I can't really speak about what's happening with other countries. My expertise at the moment is with the United States. Certainly a lot of what you've been hearing coming out of the U.S. about the Benedict Arnold CEOs seems to be election rhetoric and that will probably drop off over the next...few hours.

**Some hon. members:** Oh, oh!

•(1640)

**Mr. Andy Savoy:** In preparing for the eventuality in different jurisdictions, whether it be France, U.S., or whatever, do we have a good idea, moving forward, who will be doing what in various countries around the world? To have that intelligence is critical. Maybe it requires intelligence on the inside per se, but we need that intelligence to know how to adapt to it and how to deal with it.

So can you provide us with a blueprint or an outline, moving forward, on how other countries are treating the offshore and outsourcing issue?

**Mr. John Schwartzburg:** That's something we're collecting intelligence on. Instructions have gone out to all of our posts all over the world to obtain that kind of information and intelligence. They are reporting back to us on what's happening. That will be collated, analysed, and turned into recommendations for the government to look at in creating policy.

On where Canada is going to try to balance off what other countries are doing, certainly in the U.S., which is our major partner in all of this, we recognize that this is very important. As a department we are working very closely with NRC, for example, and the various regional development agencies. We've just put new technology partnering officers in several of our offices in the U.S. under the enhanced representation initiative that has expanded our presence in the U.S.

We've expanded our science and technology capabilities. In several sector-specific areas, a few agricultural specialists have been added. But in general terms, S and T or technology partnering officers are out there looking for niche technologies that we can bring to Canada to help Canadian companies become more innovative, more prepared for 10 years down the road. We're looking at the science that will be in the forefront five or ten years from now.

We're doing a lot of work in the biolife sciences area, the ICT area, advanced technology, nanotechnology, and that sort of thing. That's where we're out beating the bushes of various research institutions, trying to encourage a reverse brain drain. There are a lot of Canadians who have moved to the U.S., and we're working to encourage them to come back.

**The Chair:** Thank you, Andy.

**Mr. Andy Savoy:** Can I ask a very quick question?

Around the world, of course, there are clusters in various sciences or areas. Do we have similar initiatives ongoing in those areas where clusters are evident in other countries—for example, if you're going to do life sciences it might be Atlanta, or if you're going to go to information technology it might be India.

Do we have a similar initiative in place in those clusters where we can actually engage them in technology transfer?

**Mr. John Schwartzburg:** Around the world, I believe so—certainly in the U.S. we're doing that. I can speak knowledgeably about that.

**The Chair:** Thank you.

Serge Cardin, and then Lynn Myers.

[Translation]

**Mr. Serge Cardin (Sherbrooke, BQ):** Thank you, Mr. Chairman.

I would like to come back to my colleague Paul Crête's earlier question, as well as the notion of adaptability raised by Mr. Coderre.

Mention was made earlier of a \$60 million program. You have also implemented programs for the textile industries, such as the clothing and leather sectors. I clearly recall that in another life, when I was an accountant, I would regularly request grants on behalf of clients. I was asked for business plans and projections over several years.

Now if you have implemented adaptability programs to assist businesses operating in more traditional industries, called soft industries, you must surely have developed some projections as to the number of jobs that will be lost in the textile, clothing and leather industries over the next few years. You said earlier that you didn't have those figures, but even if you don't have precise numbers, could you give us a ballpark figure?

• (1645)

[English]

**Mr. Neil Yeates:** Unfortunately, I don't think we have a ballpark figure for you, but we can certainly look at what information is available and report that back to you. We don't have it with us, I'm afraid.

[Translation]

**Mr. Serge Cardin:** We would at least been able to see whether there was cause for optimism or not.

As regards R&D in more traditional industries like clothing, textile and leather, do you have targeted programs in place aimed in making us more competitive? Are any such programs now in place, and if so, how extensive are they?

[English]

**Mr. Neil Yeates:** Both of the programs I mentioned earlier—CATIP and CANTex—are targeted to trying to improve productivity and competitiveness. We don't have the details here, but again we could provide them to you if you're interested.

We believe there are some very positive examples of the impact of the kinds of proposals that have been made and that a number of these companies are significantly improving their competitive positions in the market.

You asked about optimism or pessimism. We are optimistic there will be companies that will be quite successful in adapting to these new realities.

[Translation]

**Mr. Serge Cardin:** I have the feeling we are quite a bit behind when it comes to adjusting to current trends. We're talking about globalization, of course. A lot of businesses here want to go global elsewhere, and many foreign companies want to go global here. The ultimate goal is always to sell products and make money. In traditional industries, in terms of productivity, where you want your costs to be as low as possible, there is probably greater potential in other countries than there is here.

People say there are lots of jobs here—for example, in call centres. Yet I have the impression that these are not the best paid jobs. An increasing number of people with good potential and skills go abroad to work, precisely through the outsourcing process. And they take their technological skills with them. But the effect of this will be that countries like China or India, that already have a good technological base, will be in a position to develop their technology even more rapidly. They'll have the benefit of cheaper labour and their technology will soon be equivalent to our own.

In light of all that, it seems to me we are lagging behind and that this may continue to be the case for some time yet.

[English]

**Mr. Neil Yeates:** I'm not sure that's how we would characterize it. I think the data shows that the manufacturing sector in Canada has done quite well overall. We feel that's encouraging, but overall there's the gradual and continuing trend for us in Canada to move up the value chain, because, as you say, the competition from these lower-wage, lower-cost countries is significant, so we have to continually adapt. But over the past 20 years the manufacturing sector has actually kept the pace quite well.

We've stepped in, with specific industries like apparel and textiles, where there have been very specific adjustment issues to deal with. That started in 2002. So we've got the general move toward greater productivity and competitiveness. We think over 20 years we've done pretty well. Then there have been specific interventions where there were adjustment issues.

[Translation]

**Mr. Serge Cardin:** I would like to come back to the issue of globalization, either here or elsewhere. In terms of this race to go global, one has the sense that people are trying to take advantage of what we talked about earlier—social conditions, such as wage standards, working conditions and the environment.

Earlier, I don't think I heard any specific answer given regarding Canada's ability to initiate a process to make globalization more equitable. In some countries, people are being exploited, which means that products come into Canada at a much lower cost. That could almost be called dumping.

But if we set certain criteria under international law, everyone could benefit, both developing countries and the most highly industrialized countries. The system would be based primarily on productivity, not on exploitation.

• (1650)

[English]

**The Chair:** Any takers? Anybody willing to try that?

There may not be a taker. Anything else, Serge?

[Translation]

**Mr. Serge Cardin:** Non, but I would like to get some answers or comments.

[English]

**The Chair:** Well, we can't force the witnesses to make up an answer if there is no answer. If we decide to pursue this, we can try to find someone who has it as an area of interest and competence.

[Translation]

**Mr. Serge Cardin:** Is my time up, Mr. Chairman?

[English]

**The Chair:** No, you can take another minute, if you like.

[Translation]

**Mr. Serge Cardin:** Can I give my time to my colleague?

[English]

**The Chair:** Yes, *très court*.

[Translation]

**Mr. Paul Crête:** I would like to know how much money is flowing through Technology Partnerships Canada, which is mainly active in the aeronautics and other such industries, to traditional sectors such as textiles, clothing and leather.

For example, in the textile industry, it is possible to develop what are known as technical textiles, which are not actually clothing at all but can, in some cases, be used to manufacture drugs or airplanes.

Do you have any figures regarding the amount of funding Technology Partnerships Canada is providing to traditional industries? We know the program was created to develop the new economy, but it might be a good idea to set our sights on more traditional industries, to give them a chance as well.

[English]

**The Chair:** Thank you, Paul.

**Mr. Neil Yeates:** You're right that some of the projects that TPC finances may cut across industry sectors. You might be dealing with, for example, specialized materials in aerospace that could touch the textile industry.

We don't have that information here, but we can certainly check and get back to you on whether any textile-specific projects have

been funded through TPC. It is mostly, two-thirds, directed at the aerospace industry. But we can check for you.

**The Chair:** Lynn.

**Mr. Lynn Myers (Kitchener—Wilmot—Wellesley—Woolwich, Lib.):** Thank you, Mr. Chairman. I'll be brief.

I wanted, Mr. Schwartzburg, to pick up on your answer to Mr. Savoy with respect to the Americans. I wanted to press you a little bit further on that. You danced around the issue of what might happen, depending on who wins the presidential election and such. I think there is a concern that if there is a move to prevent outsourcing, that would have a detrimental effect on Canada.

I specifically wanted to ask you whether or not there would be a position whereby the Canadian government might contest any move to prevent outsourcing. I also wanted to ask whether it's your understanding that under the rules of NAFTA, for example, we would have a case to try to prevent any such thing from happening.

I think there are consequences for Canada, depending, I suppose, as you say, on whether it's all election rhetoric and might not come to pass. Then again, it might, and I guess it's imperative for us to be prepared and to think along the lines of making sure we are in a position to either contest it or use any sort of leverage we might have under NAFTA, or under other agreements.

I wondered if you could respond to that. Would we have those levers so that we could do something to prevent detrimental effects to Canada?

**Mr. John Schwartzburg:** I apologize if I danced. I wasn't intending to.

**Mr. Lynn Myers:** It was like the dance of the nine veils. It was quite effective, actually.

**Mr. John Schwartzburg:** I'm glad I intrigued you with my answer.

The short answer? Yes, if our analysis shows that there is any contravention of NAFTA or any other international trade agreement to which the United States is a signatory, we would use every measure at our fingertips. But that falls more under my colleague's area.

If there's a case to be made under NAFTA, we would pursue it as far as we possibly could. As you know, with softwood lumber, every time we think we've won there's another challenge. But we continue to do that.

I think our best strategy is to identify these problems before they occur. We do that by trying to find out the potential bills that are being put forward, before they actually reach the floor of the various legislatures. We try to sidetrack them before they run the risk of being signed into law. As I pointed out at the beginning, we're not the primary targets, but we could be sideswiped by them. In order to prevent them from coming into law, we need to identify our allies, identify the people who can help make the case for us, to persuade the legislators not to pass them into law.

It's worked on a number of occasions. Governors have vetoed bills that have passed their legislatures and come before them. We've had quite a successful track record in doing that.

It's a bit of a fine balancing act. You don't want to attract too much attention to Canada. We aren't their main target, and we don't want everybody suddenly turning around and saying, you know, blame Canada—that kind of scenario. I think we're doing a very effective job of keeping it off the legislative order papers.

Have I answered your question?

• (1655)

**Mr. Lynn Myers:** Yes, somewhat. Further to this, just speaking of that track record, can you give me an example of where you have been successful?

To Mr. Ready, I assume you're the expert on NAFTA and other things, or at least you can maybe enlighten me a little bit on this. What relevant sections would Canada use if push did in fact become shove?

**Mr. John Schwartzburg:** To answer the first part of your question, I don't have this right in front of me, but I know that the Governor of California recently vetoed a number of bills that were in front of him. Through our consulate general in Los Angeles, we continue to make inroads into the governor's office, making representation, and talking to staffers who then advise. As a result, while it may be impossible to say there's a direct link between what we did and the veto, it didn't hurt.

I believe in New Jersey as well several bills were vetoed.

**Mr. Lynn Myers:** Give me one example, one specific example; the film industry perhaps?

**Mr. John Schwartzburg:** The film industry could possibly be one of them. I know that a very active group is trying to prevent what they call runaway productions.

In New Jersey, I believe there is an issue with the administration of the food stamp policy. It was to be a U.S. state expenditure. Had this bill succeeded, the state money was not going to be allowed to be spent outside of the state. I believe a Canadian firm was successful in bidding on the administration of the food stamp program.

I'm not 100% sure, but that rings a bell, as an example.

**Mr. Lynn Myers:** Thank you.

Mr. Ready.

He's going to answer, but I'm out of time.

**Mr. Robert Ready:** Thank you, Chairman.

There are a couple of points with respect to how the NAFTA and our trade obligations, or more specifically the obligations of the United States, play into this debate.

As our presentation indicated, I think, there has been a range of legislative proposals around the issue of outsourcing over the past year or so, approximately 200 in 40 states. The first thing to say about those is that the vast majority of them are simply proposals. They don't have, in some cases, a lot of detail in terms of the ways in which the legislation would propose to operate or any of the regulatory elements that might facilitate their operation.

So at some level, as proposals it's quite difficult to understand how they relate to trade obligations, but we've been scanning them with the assistance of the embassy and the posts in the United States.

This is a bit of a generalization, but they tend to focus on four broad areas. They focus on restrictions around the area of government procurement, proposals to require the identification of the location of a call centre, perhaps, or to provide an overlay of privacy-related notification with respect to the transaction that's going on.

There's a third category that tends to focus on the incentive area, incentives that state governments are prepared to provide to companies that don't outsource their economic activity.

Then there's a fourth category that tends to restrict the participation of foreign workers in a variety of state level activity.

As I say, the vast majority of these have been legislative proposals. The vast majority of them have failed in committees or in legislatures. I think there are four that have probably worked their way through the legislative systems in individual states.

• (1700)

**The Chair:** We'll have to get you to wind it up there.

**Mr. Robert Ready:** Sorry, Mr. Chairman.

I guess when we look at provisions such as we have with respect to some of these proposals, it's conceivable that in some cases if they got fleshed out and if the regulations were put in place to make them operational—the way a call centre would be required to identify its location, whether it was Canadian or otherwise, the way that would operate—if it were discriminatory and focused only on foreign call centres, there could perhaps be trade-related issues there. But it's very hard to say beyond the hypothetical that this could happen in a legislative context, because we don't have a lot of that detail.

Another point that's important to register is in the area of government procurement, where the bulk of a lot of state action is focused. The state jurisdiction in the United States, just as is the case in Canada at the provincial level, doesn't have a full set of government procurement obligations in either the WTO or the NAFTA context.

So a number of the bills that focus on procurement are perhaps outside the scope of trade rules to the extent that they operate at that state level procurement area.

**The Chair:** Let's leave it at that.

Thank you, Lynn.

Now Werner and Michael are going to share a couple of minutes.

Paul, on a point of order, do you want to go on that list?

Okay, then it's Denis, Brian, and then Paul.

Michael are you going first, or Werner?

**Mr. Werner Schmidt:** The question is relatively short but it could have a very long answer, I'm not sure. It has to do with regulations and the definitions within regulations, in particular with reference to the origin of content of materials that are built elsewhere, transferred back and forth across the border, and then go back again.

Do you have a comment about that?

**Mr. Robert Ready:** None other than that it's an incredibly complex field of trade policy. You're talking about rules of origin and at what level of processing a good is described as Canadian or American.

• (1705)

**Mr. Werner Schmidt:** Precisely.

So where is the problem? Is the problem in the regulation, in the definition, or in the trade policy?

**Mr. Robert Ready:** With respect, I would have to defer again to colleagues in my department who are seized with that as part of their responsibility. It is not something I could speak to in any kind of manner.

**Mr. Michael Chong:** I have three questions to do with foreign outsourcing. The first one ties to what you were talking about earlier, about government procurement not being subject to a lot of the international trade rules we have.

Can you tell us, is government procurement that favours domestic firms in procuring services or products to build more domestic production, to build a stronger domestic economy, something that works and something that is a good idea? Has it been done in other countries, other jurisdictions? And has it been shown, over a period of a decade, to produce good results?

That's my first question. I'll just give all three questions and they can answer them.

My second question is probably for Mr. Parsonage, and that has to do with the auctioning off of the spectrum.

A number of years ago Industry Canada, from what I recall, started to auction off the licences, generating revenue for the

government. My understanding is that revenue goes into general revenue of the government; it isn't targeted or used otherwise.

I'm wondering if there have been any discussions or if you could comment on whether or not it's an idea to encourage industry to invest here in Canada, to create that investment climate, instead of investing in other jurisdictions. Could this money be used toward creating that? Have there been any ideas or discussions around that?

That's my second question.

My third question has to do with skilled workers. People have said that one of the reasons we're a source for outsourcing or offshoring is because we have a skilled workforce.

Having worked at the Greater Toronto Airports Authority on the airport development project, my understanding is that we have a massive shortage of skilled trades in this country, and this is affecting our ability to attract and retain these jobs.

I'm wondering if you could quantify what that shortage in Canada is of skilled trades, if you know that off the top of your head.

I know of the red seal program, which is an attempt to rationalize across different provinces these apprenticeship and trade programs, but is there anything else the industry department is doing to tackle this problem?

Those are my three questions.

**The Chair:** Thank you, Michael.

**Mr. Michael Chong:** The first had to do with government procurement.

**Mr. Robert Ready:** Once again, Chairman, do other countries make use of procurement policy as a tool of industrial policy? Yes, I think they have over the past. I think increasingly, through the WTO, governments are coming together to try to form disciplines in this area.

Has it worked in a Canadian context as a tool of industrial policy? I'm not in a position to judge. There are programs current and past in Canada that have been administered by a number of departments, including Industry Canada.

My colleagues may be in a position to respond, but—

**Mr. Michael Chong:** Has it worked in jurisdictions outside of Canada? In other words, are there studies out there that you know of that—

**Mr. Robert Ready:** I'm not aware of any, but I'll make inquiries with colleagues.

**Mr. Neil Yeates:** I have just a quick point on that.

Perhaps the biggest example is the American defence industry, which is enormous. It's the most well-known example that comes to my mind, anyway.

Keith.

**Mr. Keith Parsonage:** Thank you.

With respect to the auction off of spectrum, yes, we have, and the money has gone directly to the Consolidated Revenue Fund. Whether or not there are other alternatives to discuss with respect to how to more effectively use that money, I'd have to defer to my colleagues who are responsible for administering the spectrum auction program.

However, I should point out that in any of the licences we have granted, for example, as a result of this, the carriers who are offering mobile services, we do require them to invest 2% of their gross adjusted revenues in research and development on an annual basis in this country to improve Canada's innovative performance.

• (1710)

**Mr. Michael Chong:** What some of them are saying is that they would invest more than the 2% if the \$150 million or whatever it is—

**Mr. Keith Parsonage:** But I should also point out too that Canada's information and communication technology sector generally does over 40% of the industrial research and development that's performed in this country. That's a pretty phenomenal number for one sector.

**The Chair:** Michael's third question, skilled trades.

**Mr. Neil Yeates:** Yes, on skilled workers, specifically trades, I haven't seen any number specifically quantifying that. You hear numbers get used, but I haven't heard a specific number on that. But I think you're right, on trades in particular it's a significant challenge.

**Mr. Michael Chong:** So is there anything beyond the red seal program that Industry Canada is doing or is thinking about doing or discussing with regard to the shortage?

**Mr. Neil Yeates:** The red seal program is primarily dealing with mobility of trades between provinces. So from my understanding, that's largely in place.

For us the work comes at a sector level, and at the sector councils with HRSD, which I was describing, on specific industry sector and needs and what we might do between ourselves and industry to ameliorate those issues.

**Mr. Chummer Farina:** Maybe I could add a couple of things. There is a fairly major study underway. It's a tripartite effort between Industry Canada, Human Resources and Skills Development, and the Social Sciences and Humanities Research Council to understand better the skills issue, because we have a number of interesting conflicting trends.

You have the demographic trend, which of course is going to put greater pressure on the marketplace. You have the fact that in Canada real wages really haven't increased in this country in over 30 years, and if you really did see significant shortages the obvious response is that wages should go up but they haven't. So what's going on there? Then on the other side you have very specific shortages in very specific industries that we are seeing some evidence of. So I think they're trying to get a better handle on all of this. I think the development of the skills development component of the old human resources area is an indication of how important this issue is becoming.

**Mr. Michael Chong:** When is this report supposed to be coming out? Is it going to be a public report?

**Mr. Chummer Farina:** Yes, it will be. The Social Sciences and Humanities Research Council has put out a number of grants to academics to look at some of these issues.

We have a number of papers, and I know Human Resources has a number of papers, but I don't know the exact date of when it will all come together. We could find out for you.

**The Chair:** That's a huge area in itself, Michael.

I'm going to try to squeeze in Denis, Brian, and Paul in our last 15 or 16 minutes, so I'm going to watch you closely.

Denis.

[*Translation*]

**Hon. Denis Coderre:** OK, I'll be quick. I want to come back to the issue of skilled labour, because I think it's important.

The problem with these workers is that they are a temporary source. So, when they come here, they come on a one-time basis to do a specific job. It can be for companies like Merck Frosst, as we were saying earlier. There are a number of companies—for example, Chinese companies that have set up shop in Canada, particularly in Drummondville—that bring in technicians who are specifically assigned to certain tasks.

If we're talking about competitiveness, do you not think it is critical to have stability measures, in a sense that we absolutely have to find a solution and also put in place a retention strategy to keep those people here? If you're also saying, based on the evidence, that there will be a skilled labour shortage over the next five years, then it's pretty clear that interventions are needed in that area.

Second, there is the matter of regionalization. It simply isn't possible to say you are going to attract skilled workers from outside Canada and set them up only in large urban centres like Toronto, Montreal or Vancouver, where there will be a negative impact overall, because this will result in negative competition inside the regions and between regions. So, shouldn't we be looking at regionalization measures that would allow regions like the Atlantic, for example, that has specific needs, or the north, particularly in the diamond industry, to develop a focused strategy that would address those two points?

Finally, I realize there is a delicate balance to be struck because of the situation in the US, compared to here. Am I to understand—and this is between us—that if we want to be effective and make the best possible use of outside workers, we should be encouraging the provinces and the Canadian government to reach agreements in this area? Indeed, by encouraging interprovincial agreements, we are removing the whole notion of unfair competition or subsidies that the Americans or others could potentially use against us in legal proceedings.

• (1715)

[*English*]

**The Chair:** Thank you, Denis.

**Mr. Neil Yeates:** You touched on a lot of different issues there.

For us, by approaching this on a sector basis, we get at the regionalization issues. As we know, the different industries have different regional presences, so you tend to get into the regional issues automatically that way, because they do vary quite a bit across the country.

The retention issue you mentioned really is the other half of the recruitment issue. If we don't have good retention strategies, we'll be doing endless recruitment. I think we would agree with you there.

A lot of this work, as I say, for us lies in our work with sector councils, with HRSD, on an industry basis, but a lot of this work also lies with provinces and territories as well. I do know, having recently come from the province of Saskatchewan, that this was an area receiving a lot of attention there, both on the trade side, but right across the skills spectrum. A lot of those provinces are developing, if you like, skills and human resource plans themselves. There is the combination of those activities happening at the different levels. Yes, it's a big challenge in terms of what we expect to be the quantum of the challenge in front of us.

**Hon. Denis Coderre:** I believe this is the answer, frankly. As an ex-minister of immigration, the issue is clear. The reflex that Industry Canada or other stakeholders have to develop is not only to talk to HRDC, it's to talk at the same time with immigration, so you can apply something like

[Translation]

the Quebec-Canada Agreement

[English]

and bring those people.... We've done that with Nova Scotia. There was an offshore situation there that we dealt with. I believe that as Canadians this is exactly what we should put forward. Retention of those skilled workers will have an impact if you also add the immigration component, because they will be future citizens.

**Mr. Neil Yeates:** Yes. We take your point.

**The Chair:** Thank you.

Unless there's a final comment, we're going to go to Brian Masse.

Brian.

**Mr. Brian Masse:** Mr. Schwartzburg, I'm curious to find out how your department categorizes the introduction of new legislation in the United States that leads to border traffic tie-ups.

As noted earlier in the Ontario Chamber of Commerce study, it's a \$4-billion loss. Quite literally, we have hours of traffic congestion. Often it's due to a lack of resourcing. It is also impacted by whether or not the U.S. goes on yellow or orange alert. It has a significant impact on local communities and also the national economy.

How does your department categorize that? Do you actually consider some of these things as non-tariff barriers? They are leading to decisions, quite openly, of companies to relocate operations and/or to build assembly plants or other manufacturing in the United States as opposed to Canada.

**Mr. John Schwartzburg:** Absolutely it's a concern of the department. Whether it's categorized as a non-tariff barrier or not,

I'm not sure. If you listen to Tom Ridge from Homeland Security and these other people, they continually use the expression that "security trumps trade". I don't think they specifically are looking at it as a non-tariff barrier. I think they really are consumed with the security viewpoint.

Yes, it does impact on our ability to trade. Certainly companies that depend on just-in-time deliveries of product are expressing a lot of concern. Given the congestion at the border, where you have trucks backed up for miles and miles, or kilometres and kilometres, back into Windsor and other places, it is having an impact. There are companies that are assessing whether they want to continue to be faced with that, or are they going to move and set up shop on the other side?

Yes, we are looking at it. My colleagues on the Foreign Affairs Canada side are looking at it in terms of border management and how to create an open border, while still having a secure border. Discussions are going on, on a daily basis, between the people charged with the border relations with the Homeland Security people to find ways to do that.

• (1720)

**Mr. Brian Masse:** I think we failed on this, because of the economic costs. We obviously want to make sure we cooperate in terms of security issues, but what's the threshold? Truck traffic, quite frankly, is down. Lineups are longer. We get into agreements—for example in NEXUS—and they stop every single vehicle. It contradicts some of the things we're doing. When comes the point that we speak up about this, or we look at the hardship that's evolving from it? Like I say, I want to be sensitive to their needs, but they're also doing that to their own drivers and citizens at our border. It's not just Canadians. But the net effect is economic hardship.

**Mr. John Schwartzburg:** There is hardship on both sides, and that's what we continue to draw to their attention. The problem is jurisdictional, I think. It crosses a number of jurisdictions, both on the Canadian side and the American side. You have Canadian border services; you have the foreign affairs department, which is dealing with the Homeland Security people; and you have International Trade Canada dealing with the Department of Commerce and bringing it to their attention. On the American side you have Homeland Security and you have the border people.

The big problem we've encountered in the United States with U.S. Customs and Immigration is that they are managed at a local level. They can be given direction from Washington, but if the local guy in Buffalo doesn't want to do it, he doesn't have to. That's the problem we're trying to deal with.

**Mr. Brian Masse:** When do we take action, though, and at what point? For example, on staffing, if there's not the appropriate staffing on their side, do we ever consider taking action on that under our trade agreement, or can we?

**Mr. John Schwartzburg:** I really can't answer because I don't know. I really don't know.

**Mr. Brian Masse:** I wish we'd look into that.

**Mr. John Schwartzburg:** I'll make a note. I'll bring it to the attention of the people who actually manage that file.

**Mr. Brian Masse:** Thank you. I appreciate that.

**The Chair:** Thank you, Brian.

The last word is to Paul, I believe.

[*Translation*]

**Mr. Paul Crête:** I have two short questions. At a briefing at the Minister's Office, I was told about a task force on China, India and Bangladesh that is being lead by the Department of Industry. Could you tell us how far along that group's work is? Would it be possible to obtain some kind of report or information on the status of that work?

[*English*]

**Mr. Neil Yeates:** I'm afraid you only have some puzzled looks from us. We're not familiar with that, but we will—

[*Translation*]

**Mr. Paul Crête:** You're not familiar with that. Well, I would ask that you do some checking. At a briefing at the Minister's Office, I was told there is a task force addressing those three issues. Perhaps I misunderstood, but I would suggest that you check.

Second, in the textile industry, the US has passed legislation that allows it to ensure that its own textiles—thread manufactured in the US—is used to make a complete item of clothing in the Caribbean before coming back onto the American market. In fact, the market in Canada has also been opened up. The textiles can originate in Bangladesh, be used to produce a finished product in Africa, and come back into Canada. I'm not criticizing Canada, I just want to know whether you believe the American position is consistent with NAFTA.

They have deviated from NAFTA, because they said they would allow finished clothing to enter the United States, as long as the textiles or the thread used to manufacture them was American. I believe that was through the Caribbean Basin Trade Partnership Act. Has anyone looked at whether or not that practice in the US is consistent with NAFTA?

[*English*]

**Mr. Robert Ready:** Mr. Chairman, with your permission, I know a few things about the NAFTA. The NAFTA textile provisions aren't my area of expertise, and I'm unable to answer the question. I don't believe my colleagues are in a position to answer either.

We would apologize, once again, for not being able to be responsive to all of the questions from the members.

[*Translation*]

**Mr. Paul Crête:** I would like to know whether there's some way I could get an answer to that question. Our concern and the concern of

the entire textile industry at the present time is that the US has secured a competitive advantage that we may also like to have, if this is actually legal under NAFTA. If the Americans can do it, why can't we? It's fine to open up our market to goods coming in, provided they at least use our thread. That might save part of the industry for a certain period of time.

• (1725)

[*English*]

**Mr. Robert Ready:** I'll undertake to discuss it with my colleagues, who will get back to the committee.

**The Chair:** Okay. Merci, Paul.

I see no other burning—

[*Translation*]

**Mr. Paul Crête:** I have one last comment. Today there was a briefing session by the Finnish Ambassador on the success of Finland's innovation system. I would invite all of you to read it. Finland finished first according to the latest assessment, whereas Canada dropped from 5th to 15th place in terms of competitiveness.

[*English*]

**The Chair:** Thank you for that information, Paul.

Before I thank our witnesses, I want to mention to colleagues that I remind you that on Thursday we're going to try to deal with the question of where we're going in the weeks and months ahead.

Also, a couple of party whips, or House leaders, have asked whether committees would consider that when a notice of motion is given, it be made available to the House leaders or the whips. I'll ask you that question again on Thursday. Normally, a motion is confidential until it's brought to the committee. Let's say Brian has a notice of motion on something and a couple of party whips have asked whether they could get a copy in advance.

I don't know very much more. I'm going to find out more, but we've been asked to consider that.

**Hon. Denis Coderre:** There's some tradition on some of these. I don't know.

**The Chair:** We don't have to either.

Let me thank the witnesses; then we can chat.

I want to thank our witnesses for being here. I didn't mean to do Thursday's business now; I just wanted to give notice of the question.

Thank you very much, gentlemen, for your help today. It'll help us a lot as we go forward. Thank you.

**Hon. Jerry Pickard (Chatham-Kent—Essex, Lib.):** Are you saying that if a notice of motion comes up by a committee member, it should go to the whips and House leaders before it comes to the committee?

**The Chair:** No, not before, but concurrently.

**Hon. Jerry Pickard:** If a notice of motion goes to all committee members, they can notify the whips and the House leaders. Is there a breakdown in communication somewhere?

**The Chair:** That's a fair question. I don't know why the House leaders or whips couldn't—

**Hon. Jerry Pickard:** The motion Brian put on the table was circulated to all of us. Every member of the committee could make sure it goes. In notifying everybody in the world about a motion, we're putting ourselves.... Is it our responsibility as a committee—

**The Chair:** With your agreement, I'd say Jerry's point is correct. If Brad gets notice of motion through the clerk of Brian's motion, and if

his whip or House leader wants the Conservatives to give it to the whip, then he does that. That's their business.

Absent a long discussion—to me it's a small point—I think Jerry's point is correct.

Louise, we'll just operate on the basis that each party can get that information from their members.

With that, we're adjourned.

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