



House of Commons  
CANADA

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

---

INDU • NUMBER 062 • 1st SESSION • 38th PARLIAMENT

---

**EVIDENCE**

**Tuesday, November 15, 2005**

—  
**Chair**

**Mr. Brent St. Denis**

All parliamentary publications are available on the  
"Parliamentary Internet Parlementaire" at the following address:

**<http://www.parl.gc.ca>**

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

Tuesday, November 15, 2005

•(1000)

[English]

**The Chair (Mr. Brent St. Denis (Algoma—Manitoulin—Kapusking, Lib.)):** I'd like to convene this November 15 meeting of the Standing Committee on Industry, Natural Resources, Science and Technology.

We're going to spend this hour with the Honourable David Emerson, Minister of Industry, who some weeks ago offered to attend a meeting to review the work he and his department have done on certain sectoral strategies, such as automotive, aerospace, and I believe there's some reference as well to shipbuilding in here.

You have all received the letter and a copy of the overhead deck that's been supplied. We normally allow ministers extra latitude in their presentations, but I'm sure he will be succinct nonetheless. We'll try to get everybody on as best we can. We only have an hour.

Mr. Minister, we thank you for being here and invite you to start whenever you're ready.

**Hon. David Emerson (Minister of Industry):** Thank you very much, Mr. Chair.

It's good to be here. It's unfortunate that it's in the slightly partisan-charged atmosphere we're in these days, but we have work to do, and we may as well get on with it.

I do not intend to go through the deck slide by slide. I'm assuming people have it. It has a fair amount of content.

I thought what I should do is begin with the whole question of why we are developing sector strategies and how they fit into the larger economic agenda, which is all about economic competitiveness. I think members have heard me say that Canada is a very trade-dependent, small, open economy. Our future, our economic well-being, the strength of our social programs, the employment opportunities of our young people, the investment climate are all going to be driven, as we go forward, not so much by the commodity prices we have been economically blessed with over the last few years as by the competitiveness of the economy.

I think members will also have heard me indicate that the Canadian economy can not, should not, will not go head to head with the low-wage economies of the world, and we should not be thinking that economic competitiveness is in any way related to driving down wages and benefits of workers. This gets you back to the question, what can be the drivers of Canada's competitiveness?

As was indicated in the economic update, and as a number of us have been saying for some time now, our competitiveness is going to

be driven by our human capacity, our human resources, by our ability to develop and utilize technology for wealth-creation purposes, for transformation of industry, for transformation of our quality of life.

Our competitiveness will be driven by our transportation and logistics systems. The Pacific gateway initiative is one example, but only one, of investments in infrastructure, regulatory changes, and other initiatives that combine to create an integrated approach to ensuring that Canadian business and industry can participate in global supply chains. If you cannot play an intrinsic role in global supply chains in the economy today, in my opinion you are at serious risk of being marginalized economically. So you can look at transportation and logistics as another key pillar, along with technology, skills, and human resources.

Connectedness is another issue that is fundamental to our competitiveness going forward. We are in an economy that has been transformed in absolutely breathtaking ways by the advent of the information economy. If you do not have access to the information economy, and that normally means broadband access, then you run a serious risk of being marginalized in the world economy of today. So we've also put a big focus on that.

Finally, I would say the general area that has been critically important is trade and international investment relationships. We are of course aggressively approaching trade liberalization opportunities through the WTO and through bilateral agreements with other countries.

We continue to work on a North American basis to develop a stronger, more closely integrated North American economy, because fundamentally the competitiveness of the United States, Canada, and Mexico goes hand in hand, and that's something we've been putting a lot of emphasis on.

All of that, at the high level, indicates what the big drivers are of competitiveness. I've undoubtedly missed a few. Then the question is, if those are the big drivers, why are we focusing on sectors?

•(1005)

We're focusing on sectors because in each and every case we have in front of us today, and in a number of other cases that are not here today but perhaps will be contemplated at a future meeting, when you get into these big drivers of economic competitiveness at the sector level, you discover that there are all kinds of anomalies and subtleties and differences.

If you look, for example, at aerospace and defence and you bring in the trade issue as it relates to aerospace and defence, you see we have some major problems in terms of protectionism in the United States and Canadian companies not being permitted to bid on defence- and security-related contracts unless they meet certain highly protectionist provisions in the United States.

When you look at the shipbuilding industry, you're looking at an industry that around the world is highly subsidized and is almost universally an area where governments have tended to apply extremely protectionist purchasing policies.

When you look at the automotive industry, you see particular issues that deserve special focus around trade. You have issues around infrastructure and border management, because in the auto industry, as in other industries, the just-in-time supply chain is absolutely critically important.

In each of these industries you have unique issues that need to be looked at and examined by sector. So our sector strategy is really nothing more than working with an industry around the fundamental goal of global competitiveness for the economy and asking these questions: What does it take in this industry to become globally competitive? What are the barriers to global competitiveness? What policy changes do we have to make as government? What do private sector stakeholders have to do? What's the role of the workers of the university community, and in many cases, of different levels of government?

That's what we're doing. And you could literally pick any sector in the country and go through and do the same kind of exercise, which is to work with them to say, "What would it take to make you globally competitive or improve your global competitiveness five years from now? Let's define the trajectory or the path to get there. What are the moves we have to make to get there?" That's what the sector strategies are about.

They are not—emphatically not—about government trying to pick winners, nor are they about propping up sectors that are facing inevitable decline. It's about working with the industry to look for that reshaping, that transformation of the industry that will be globally competitive going forward.

Some sectors will be bigger and more expansive going forward; some will actually shrink. But in my view, we should not get into the trap of talking about sunset industries or traditional industries. We should focus in every sector on where the competitive niche is, on what this industry has to do, what it has to look like going forward to be a winner in the global marketplace.

That's what it's all about. I have papers on the three primary sectors that we've talked about here—auto and aerospace, shipbuilding and repair, and the automotive sector—that are being prepared for cabinet consideration in the next few weeks. I really do want and would value input from committee members. If there are certain things you really have a fixation on that you think have to be in it, I'd like to know that so I can consider your ideas.

On the ICT piece that we have here, it is not really a sector strategy piece, but it is the beginning of a sector strategy piece for ICT. It contains a number of elements that we think are important to move on with quickly, but I will be receiving the report of the

telecom review panel in the next few weeks, and in that report they will have a much more extensive and profound concept in terms of an ICT sector strategy. Because ICT is so enabling and spreads across and affects every industry in the country, I wanted to start that one moving even though it's not to the status of a sector strategy at this stage.

• (1010)

With that, Mr. Chair, I will stop talking and receive your questions and comments.

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

On my list I have James, Paul, Marlene, Brian. I'll try to keep you to five minutes, colleagues, so we can get everybody on.

James.

**Mr. James Rajotte (Edmonton—Leduc, CPC):** Thank you, Mr. Chair.

Thank you, Minister Emerson.

I'd like to start first with the auto sector. We've been promised an auto strategy, certainly as long as I've been an MP, since 2000. We've never actually seen one, though. Have you actually produced an auto strategy? Is an auto strategy completed?

**Hon. David Emerson:** We have a draft cabinet submission prepared. I don't want to finalize it until I finish consultation, but we do have a draft paper. It has gone through several consultations with the industry. The Canadian Automotive Partnership Council has vetted it. We have incorporated their Vision 2010, I think it was, document, and we're essentially, I would say, 90% complete on that. If you have ideas as to what you'd like to see in it, let's hear it.

**Mr. James Rajotte:** I guess I would say, with respect, Minister, you wrote to the committee—the date I have is September 28—to our chairman saying you were prepared to go before our committee at the earliest convenience to give a full presentation of sectoral strategies, which obviously included automotive. I've heard about an automotive strategy; it's been promised, certainly, since 2001, if not before. The CAPC report in 2004 I thought was an excellent report, very detailed.

The information you have here on pages 9, 10, and 11, in terms of details.... I mean, there are statements like "Strong international competition for investment in assembly will require Canada to keep improving its business environment." It says beyond that, "Investments are important for the future of the parts industry." We all know that, Mr. Minister, with respect.

I mean, we expected to have a full strategy, we've expected a full strategy for at least four years now. I'm shocked, frankly, that you would come before the committee and present this. You know, "Global competition for skills is growing. Labour supply is tightening in Canada...." We all know that. We knew that before you even appeared before us. You offered to appear before us in September. We thought we'd have a full auto strategy so we could actually discuss the details.

I guess I'd like you to explain why you're providing absolutely no details to us whatsoever on the strategies, which it was my understanding you promised back in September.

**Hon. David Emerson:** Well, as I said before, we're going through consultation, and I thought it would be helpful if you had an opportunity to provide any suggestions you might have. It's clear to me you don't have any suggestions.

I would note that we have been actively out there working with the sector, we've taken investment initiatives that you know about. I think it would be fair to say that in the automotive sector in Canada, despite the turbulence in the sector worldwide and in North America in particular, we are doing quite well in Canada.

• (1015)

**Mr. James Rajotte:** That's not what I asked, Mr. Chairman. That's not what I asked at all.

**The Chair:** Let the minister finish his comments.

**Hon. David Emerson:** If you want the detailed report, you'll get the detailed report. I'm giving you now an opportunity to make your suggestions, and we will then go through a cabinet process and finalize it.

**Mr. James Rajotte:** I will make some suggestions, but I want to point out for the record, you wrote to us, the chair, you wrote to the committee in September saying you'd come forward with a sectoral strategy. But you come forward with a document stating things like "Investments are important for the future of the parts industry." Everybody knows that. A grade 12 student knows that. We want to have some details and I will give a couple of suggestions then.

One suggestion that has been made by the Canadian Manufacturers and Exporters, a very reputable organization, is to actually make the rates at which capital depreciates in this country equivalent to those in the United States. They made that before the last budget or the first budget, the first budget that this finance minister introduced, which would have been two budgets ago. That was not included in a budget, even though it should have been. So there's one suggestion. I'd like to know why that was not even included in the third budget this year.

Second is a long-term energy framework, which our party has consistently asked for, for years now, which was supposed to be released this fall. This has not been done.

So those are two suggestions that have been made, two responsible suggestions, which this government has not taken action on.

**Hon. David Emerson:** To begin with, you should recognize that the economic statement yesterday was not a budget. It was not intended to be a complete array of tax initiatives. I would ask you whether you're proposing accelerated capital cost allowance for all industries or just for the auto industry or for some particular category.

**Mr. James Rajotte:** For all industries.

**Hon. David Emerson:** Would you be more clear as to what capital you think should qualify for accelerated capital cost allowance? Is it any kind of building or equipment?

**The Chair:** What I might do, Mr. Minister, so we have everybody on, is invite James, either through the committee or directly to you, to answer that point, if that's okay.

I am going right to Paul and then Marlene.

[Translation]

**Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ):** Thank you, Mr. Chairman.

Mr. Minister, your statement yesterday regarding the budget is rather surprising, especially since the Minister of Finance has himself stated that it was the prospect of no budget in February that led him to present his economic update yesterday. However, the Bloc Québécois introduced a proposed policy on aeronautics nearly one year ago. I hope that you will be inspired by it when the time comes to adopt concrete action.

However, my question will touch essentially on matters that are not dealt with in the document. I am very surprised that it doesn't include an action plan regarding key areas in the manufacturing sector, the textile and garment industry and the furniture or transportation industry, among other things with respect to the manufacture of subway cars. At the present time in my riding, the rising dollar and competition from emerging countries have led to a very disturbing situation in a crucial sector of the manufacturing industry. I find it very surprising that in his statement of sectorial strategies, the federal Minister of Industry completely ignored these sectors.

Could you explain to us why you didn't consider these sectors an important part of the measures taken by the federal government? The needs are there, and we are waiting to know how the upcoming program at Technology Partnerships Canada, or TPC, is going to function. From what I see from reading the document, you don't mention this anywhere. I would like to hear your comments on this topic.

• (1020)

[English]

**Hon. David Emerson:** Thank you, honourable member.

The intention here was to begin the process of going through the sector strategies as they were developing, and here we're dealing with essentially three and a part of a fourth. It was never the intention to have a manufacturing strategy, as such, although the competitiveness strategy that I outlined before relating to the small open economy and the drivers of competitiveness in a small open economy are clearly the ingredients for the manufacturing sector.

What we're talking about here are certain sectors, and in your province, aerospace and defence is a very important sector. We're working closely with the industry. Government procurement is a major issue, as you know, for aerospace and defence. I had the aerospace and defence industry last night meeting with ministers Brison and Graham around federal government procurement, so that we can ensure that government procurement policies are aligned with our industrial capacity in aerospace and defence.

We're going sector by sector, working with them on the initiatives that need to be taken. Out of that will come timeframes and benchmarks and that kind of thing, but we are simply not covering every sector at once. We don't have the capacity or the resources to do every sector at once.

[Translation]

**Mr. Paul Crête:** Isn't it characteristic of this government that its action plans are so far behind economic reality? Throughout the textile and garment industry, we have known for 10 years that the rules governing imports would disappear, but no concrete measures have been taken. The situation is the same in the furniture industry and the whole manufacturing industry.

At the present time, unemployment figures in Canada are truly misleading. For example, the latest figures indicate that large numbers of jobs have been created in the services sector, including part-time jobs. However, manufacturing is experiencing serious job losses. Your action plan indicates no desire to be proactive, to act in such a way as to get ahead of things. We see a delay so great it gives the impression that you have thrown in the towel, that you are abandoning these sectors.

Isn't that the reality we are left with from your message this morning?

[English]

**Hon. David Emerson:** No, that's not what I'm telling you. In all fairness, I think Canada's economy has been performing very well over the last 14 years. It's been producing jobs at a faster rate than the other G-7 countries. Clearly, we're better off fiscally than the other G-7 countries. At a macro level, the economy is very strong.

In some sectors, there are adjustments. Textiles is a sector that's going through serious adjustments here; it's going through serious adjustments in the U.S., Europe, and Mexico. It's a sector we have been working with. We've been consulting with them, we've been reducing duties on inputs required in the clothing industry, and we've been providing capital assistance for them to transform their plant and their equipment to ensure they can take advantage of niches where they can be competitive going forward. We've been doing that for years. Is the industry out of the woods? No, it's not. It's got more changes that will have to be made, and we may have to do more as a government to assist them. But we're working very closely on that as circumstances evolve.

[Translation]

**Mr. Paul Crête:** We were expecting an announcement this morning regarding lumber. I am thinking here of requests for loan guarantees or something of the sort. Will the government decide to announce measures, or do we have to wait until industry is sold off to the Americans or there are no more players left when the day comes to celebrate victory? Isn't the government going to announce anything in this connection?

[English]

**Hon. David Emerson:** Yes, but not here, not today.

**The Chair:** Merci, Paul.

Marlene, Brian, then Werner.

**Hon. Marlene Jennings (Notre-Dame-de-Grâce—Lachine, Lib.):** Thank you, Chair.

Do I have five minutes?

• (1025)

**The Chair:** Five minutes.

**Hon. Marlene Jennings:** Thank you.

Thank you for your presentation, Minister.

Basically, I have two questions. One relates to the strategy for shipbuilding and the industrial marine sector. On page 17 of the presentation you provided us, it talks about the business environment, and it says two things:

- Industry proposes revisions to tax regulations related to leasing rules and the accelerated capital cost allowance.

- Currently, domestic ship owners must forgo the ACCA if they receive Structured Financing Facility funding and are not exempt from leasing restrictions.

When I look at page 8 on the business environment, and it identifies the issues for the three sectors you've come to speak to us about, it's clear that for shipbuilding there are two issues: financing and taxes. I'd like you to expand a bit about page 17, about what those comments actually mean, and what kinds of changes are being proposed.

The second question is on the ICT sector, where on page 20, at the very bottom, it talks about connectivity, and it talks about "CAP, Broadband, First Nations SchoolNet are proved programs in addressing the digital divide in Canada". I understand from a library in my riding that is like the agent for the CAP program that there possibly are some changes being brought about, and there's serious concern that the CAP program will no longer be available. I'd like you to address that concern as well.

**Hon. David Emerson:** On the shipbuilding side of things, we've had a number of meetings with the industry over the last six months. Their issues boil down to essentially two quite big issues and then a series of what I would call corollary issues.

The biggest issue they cite is that when we put in place the shipbuilding policy in 2001, we imposed a requirement that if you were to take advantage of the structured financing facility that allows a purchaser of a Canadian-made vessel to buy down the capital cost by 15%, you couldn't also take advantage of accelerated capital cost allowance.

What the industry is basically saying to the government is we really need both. We need to be able to use the structured financing facility and we need the accelerated capital cost allowance, or we need to gross up the structured financing facility benefit from the current 15% to 30%. They believe that would be a very important way of putting them in a strong competitive position.

The second really fundamental issue on the shipbuilding side of things is it's a jerky market. The market the Canadian shipbuilding industry depends most heavily on is Government of Canada procurement of vessels, and that has tended to be stop and go. We've been in a stop phase for a number of years now, and we are about to go into a go phase where there are multiple billions of dollars in ships to be procured by the Government of Canada or by various private or quasi-private companies, such as British Columbia Ferry Services Inc. We're looking at probably \$4 billion to \$6 billion in vessel procurement, at a minimum, over the next 10 to 20 years.

What the Canadian industry wants to ensure is that they get a fair and indeed preferred opportunity to build those vessels for Canadian buyers. We're working with the vessel buyers, such as the ferry companies, with the departments in government, the coast guard, national defence, and others who are acquiring vessels to ensure, again, we have a procurement policy that gives maximum opportunity to the shipbuilding industry and does it in a way that is not as jerky as it's been in the past. In other words, let's try to get a much more stable, continuous flow of vessel procurement in place so we can take advantage of it with Canadian companies.

Most people will be a little dismissive, I find, about the shipbuilding industry, but it really does connect quite fundamentally with the competitiveness agenda as well. If you think about the transportation gateways, whether it's Halifax or Vancouver, you need to ensure that you have shipbuilding and repair capability if those gateways are to operate properly. If you allow your shipbuilding industry to simply disappear, it's going to seriously impair your competitive ability to drive those gateways, which in turn drive the competitiveness of our participation in global supply chains.

On the information and communications technologies front, one of the biggest success stories, in my view, in Industry Canada is CommunAction.ca—community access to the Internet. There we try to bridge the digital divide in a number of ways. Sometimes the divide is that it's a remote community and wouldn't have normal access to the Internet. Sometimes it's a socio-economic divide. For example, in downtown eastside Vancouver a lot of people don't have the opportunities, the educational background, the income, and the environment in which they can participate and take advantage of computer access. These CAP facilities are fundamental in bridging that divide.

• (1030)

You'll find that in many low-income neighbourhoods, for example, the kids are in there after school, and it becomes a hangout. They're learning how to use the computer and they're being mentored by university people. It's a very constructive environment for people who often are disadvantaged. And there was a threat—I have to say—of a budget reduction in the CAP program, and indeed there was a reduction a year ago. I'm at the moment pushing to hold it or expand it, because I think it's a fundamental part of ensuring that equal opportunity continues to be available to all Canadians.

**The Chair:** Thank you, Marlene and Mr. Minister.

Brian, Werner, then Jerry.

**Mr. Brian Masse (Windsor West, NDP):** Thank you, Mr. Chair.

Thank you, Mr. Minister, for appearing before our committee today.

I'm going to move to the auto sector of your document, which is probably not a big surprise. One thing I do want to note is that on page 8 it does identify the need in the auto sector, significantly challenged by all the measures that you've identified here, unlike the other industries, which do have, I guess, some stability in other departments.

I first want to note, with regard to a national auto policy and a strategy, I asked about this back on November 2 of 2004. At that time in the House of Commons, Minister, you said:

Mr. Speaker, I'm meeting with the CAPC committee tomorrow. We will be discussing the report, discussing the recommendations. Over the next couple of weeks we'll be putting together the final touches on an automotive industry strategy for all of Canada.

So we heard this before, over a year ago, and I hope it actually comes to fruition this time. I'm glad you're taking suggestions. I'll make sure you get a personal copy here of the NDP green car strategy endorsed by David Suzuki and the CAW.

I would also tell you that the border crossing in Windsor, identified in your document as a priority, needs to be under public ownership, because privatization has brought higher tolls, less security, and more blockages that affect the auto industry.

I would suggest renewing AUTO21 at the University of Windsor, one of the best strategies we've had for technology development.

I would say that the Korea and Japan talks in terms of free trade are very delicate with the auto industry and need to be examined, because those markets are closed to our industry here.

And last, Mr. Minister, I would suggest that there needs to be a technology partnership council review. I know in Windsor we've been looking at Chrysler's paint shop, as well as Nemark, which has come forward. Nemark, just for the audience watching here today, is a good example of the frustrations that are facing the auto sector without a national strategy.

We have hundreds of jobs on the line right now, Mr. Minister. In fact, this company produces in taxes \$23 million a year for the coffers of this nation, and we could potentially lose hundreds of jobs because for several months this has been stalled due to the technology partnership council not coming forward with an actual plan or investment fruition for a new engine that's very important to keep in this country.

So I'd ask you what your solutions to fixing this problem are. And last, how can we make sure that we're not going to have the auto companies stymied in trying to access the government programs that are available? There are months and months of delay and frustration, and we're watching our jobs go to Mexico and abroad to other developing countries.

• (1035)

**Hon. David Emerson:** Thank you very much. Your suggestions are constructive and helpful, and I'll certainly follow up on them. If you have detail that you want to give me in writing, I'd be happy to do that.

I think you realize that we've been working through technology partnerships. We've brought the program to a halt. We're putting in place a transformative technology program. We will have recommendations for cabinet on how the automotive sector would be treated under the evolving program. They will not be abandoned. You certainly have my word to that.

On your chastisement for being slow in producing a strategy, I accept my lashes. I did not anticipate how long it would take to go through a full consultative process involving the private sector, and particularly the different parts of government. It's been a little slower than I had anticipated. We are very nearly done. As I say, I'm ready to go to cabinet in the next few weeks with a document that I think will be comprehensive, and it should accommodate a lot of the issues you've raised.

**Mr. Brian Masse:** Can I get a commitment from you here today to look at those automotive files that are stuck in the TPC system right now? What can be done by your department to expedite them through the process? It's just not working.

I understand that there has to be due diligence on every single file, but at the same time we're looking at significant jobs. Once we lose manufacturing jobs in this country, they're very difficult to get back—it's almost impossible—especially as we're moving to an oil-based economy right now, where we have basically had the dollar rise because of the industry booming at this particular point in time. This is a significant factor for the automotive industry. When the dollar is above 85¢, it causes a lot of damage.

And last, I've asked for your opinion in terms of the border crossing. When will this government commit to doing in the Windsor area public ownership, which is done everywhere else, basically, across this country, between the United States and Canada?

**Hon. David Emerson:** Thank you very much.

If you can give me the specific TPC issues, I can follow up on them and get a status report. I really can't answer in a non-specific context.

On the border crossing, it's not my file, although it's a file in which I have great interest. My understanding is that the Canada-U.S. process has now gravitated to a single site for a new bridge.

**Mr. Brian Masse:** Two sites are actually left on the table; one is good or potentially optional and the other one is devastating.

**Hon. David Emerson:** My understanding and certainly my view was that it should be run in a public way through some form of public mechanism. I'm not certain whether it's an authority of some kind or some kind of direct government ownership and operation, but in my opinion, it should certainly not be purely privately controlled.

**Mr. Brian Masse:** Thank you.

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

Werner, Jerry, and then Marc.

Werner, please.

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

Thank you very much, Mr. Minister.

I would like to refer back to a couple of things you mentioned and a couple of things you referred to.

One of the issues has to do with the TPC program and the transformative technologies program. I know that you haven't had the transformative technologies program in operation all that long,

but when I checked into the situation on the information that people get on the TTP today, I find that they immediately refer you to the TPC program. If the other program has been stopped and the new one has been in place, why is it that people are referred to the TPC in order to understand the TTP?

I was so confused. I thought, what in the world is going on here? Does the department know what it's doing?

**Hon. David Emerson:** Yes, the department does know what it's doing. We're winding up TPC, as you know. The transformative technology program is in the design phase right now. We're not taking applications for that program yet.

We have an outside adviser. Arthur Kroeger, a former public servant, is giving us advice on how we can ensure it's structured in a way to eliminate some of the problems we've encountered with TPC, make sure it's transparent, make sure it's subject to market tests through competition, and make sure that we have the appropriate mechanisms and processes for an arm's-length review and it's not simply a public service exercise. We want to make sure that we've got genuine experts who are undertaking some of the reviews.

We expect to have that up and running in the new year. I presume the reason you were referred to the TPC site is because TTP is not yet ready to receive applications.

● (1040)

**Mr. Werner Schmidt:** Following up on my colleague's question, I know the public information was that the TPC programs and contracts that exist at the present time will continue. There are other applications that have been under TPC. Will those be honoured, or will they now be stopped simply because TTP is in operation and anything that hasn't been approved by TPC will automatically be subject to the new criteria?

**Hon. David Emerson:** Obviously, the outstanding agreements under the TPC program are going to be honoured. There's no question about that.

**Mr. Werner Schmidt:** What about those that are in process?

**Hon. David Emerson:** The question is about those that are in process. At the moment, we're going through the normal review process to assess them and make decisions. We will then have a transition into the TTP program in the spring.

**Mr. Werner Schmidt:** Specifically, then, will they go according to the new rules or the old rules?

**Hon. David Emerson:** If you've got a specific one in mind, tell me, but we're not going to be applying the TPC rules to the TTP program. We're going to have a different program that will operate differently.

**Mr. Werner Schmidt:** I don't want to pursue it much further, except to ask this. What about the operation? What's a poor guy going to do, when he is expecting to be answered under TPC and he doesn't know whether or not he's going to go under TTP? He's in no man's land at the moment.

**Hon. David Emerson:** No, he's not. If he has an application under TPC, we will obviously treat it as a TPC application. If he doesn't, then it's too late.

**Mr. Werner Schmidt:** All right.

**The Chair:** At 11 o'clock we have another committee coming in.

**Mr. Werner Schmidt:** The other thing I'd like to pursue is the definition of structured financing, as you referred to shipbuilding. I'd like you to tell us exactly what you mean and how this will work, and exactly what is the framework for structured financing, whether it's in shipbuilding or any other area. Structured financing is not an isolated thing applying only to one sector. Could you detail for us exactly what you mean by that?

**Hon. David Emerson:** I didn't name it the structured financing facility. Somebody else did. That pre-dates me. We can all talk about what structured financing means generally in the financial marketplace; it has many different meanings, depending on the particular circumstances. In this case, it refers to a program we have in place that enables a buyer of a Canadian-built vessel to receive an opportunity basically to reduce the capital acquisition cost of a vessel by 15% through a support program from government.

**The Chair:** Is that okay, Werner?

**Mr. Werner Schmidt:** No, it's not complete, but we have to leave it there, I guess.

**The Chair:** I'll try to fit Jerry, Marc, and Claude in the last 15 minutes as best we can.

Jerry, please.

**Hon. Jerry Pickard (Chatham-Kent—Essex, Lib.):** Thank you very much, Mr. Chair.

Mr. Minister, thank you very much for coming.

As I've been listening, it sounds like we're not doing anything in the auto sector, and I'm quite shocked at that. I know that over the last year we've invested \$200 million in General Motors. We've invested \$100 million in Ford and \$30 million in Navistar and \$55 million in Toyota. We have established the auto assembly sector in Ontario, and that's why Ontario is the largest assembler of vehicles in North America. That's a pretty damn good achievement, in my mind, and that's been under your direction.

When we start looking at jobs, all of those assembly plants don't stand alone. They're there with a lot of feeder plants. They're there with all of the support industry. This brings together an auto sector that's second to none in North America. So when people say we're losing the battle, hey, why did Toyota announce they're coming to Ontario? We're negotiating with Chrysler at this very moment and we're working with the complete auto sector.

I believe that it is strong and it's moving forward regardless of the naysayers. When we start looking at this, are we worried about having a piece of paper in front of us, or should we be looking at the accomplishments and the achievements that have happened in that auto sector in the last couple of years? I think it's critical. If it weren't for the intervention of your ministry and people there, Navistar would have gone to Mexico, and that would have been a disaster. In the structure of things we have guaranteed jobs in these sectors where we have helped those assembly plants stabilize. Is the answer not to look at the actions and the issues we have dealt with, more than it is a piece of paper?

Another point is CAPC. You have given me the privilege of sitting at the CAPC table with you and talking about these strategies, and I

know that the unions, the auto companies, the sector suppliers, the distributors, the sellers of vehicles all sit at that table and they all feed directly into you, so you have their direct input. This was created by a Liberal minister three years ago. That has been extremely successful in getting that input and feed right across this country and developing that industry to a T, which is where we are today.

I have gone on a little on the question, but what I'm coming back to is, is it not what we are achieving that is critical right now? Those who are saying we're not doing anything in the auto industry really don't know what's happening.

• (1045)

**Hon. David Emerson:** Thank you very much, honourable colleague.

I want to be unambiguous on that. If you ask me to choose between what the honourable members want in these brilliant documents and the kinds of accomplishments we've been achieving in the automotive sector, I'll take the achievements over the pieces of paper any day. In fact, that's been the fundamental approach we've been taking—not to allow anything to slide, not to allow decisions not to be taken just because we're waiting for this great strategy we're producing. I hear it all the time—how can we possibly take a decision when we don't have the strategy?

Well, the reality is that we know 90% of what this strategy is going to look like. We are going to continue to make decisions to make sure we don't lose ground in the process of fine-tuning a document that will, I can assure you, probably be revised every six months for the next twenty years, simply because that's the nature of strategies. They're specific to a point in time. They give you guidance, they give you a framework to make decisions. But we are making decisions, and making decisions in a framework that I think is proving to be very successful. The automotive sector is a great example of that. I'm going to keep making decisions and keep moving, keep generating results. I'm sure I'll be chastised and smeared roundly by some of my other colleagues here.

**The Chair:** You've got ten seconds, Jerry.

**Hon. Jerry Pickard:** The Windsor crossing was mentioned just a few moments ago. The binational came out yesterday, and they clearly set out a sector that the crossing is going to be in. I think that's very positive news for everybody around the table. Obviously there have been some holdups, but as the cabinet moves forward—and I know you've been a major pusher in making sure the whole operation goes forward, and I congratulate you on that—do you see us meeting those binational requirements as soon as possible? I would put that forward on making that crossing work.

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

**Hon. David Emerson:** I absolutely do, and I think the honourable member realizes the automotive sector is only one sector that is dependent on those crossings in Ontario. There are many sectors engaged in integrated supply chains, and we have to make sure we do everything possible to keep that infrastructure expanding and improving. All of the intermodal linkages have to be made seamless, because our competitive success is going to be all about Canadian companies being involved in global supply chains as a partner—not just a remote company that might get a contract this year and lose it next year, but as a partner in the supply chain.

That's how you create value in the modern economy. You do it through supply partnerships with your customer and your suppliers. That's how you create an efficient supply chain. Government has to be there with the infrastructure and the policies that allow it to happen; it's really happening in a powerful way in the automotive sector, and I think we should be very proud of our accomplishments there.

• (1050)

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

Next are Marc and Claude. Maybe we'll have 30 seconds from Michael.

[*Translation*]

**Mr. Marc Boulianne (Mégantic—L'Érable, BQ):** Thank you, Mr. Chairman.

Welcome, Mr. Minister. You have partly answered my question in your reply to my colleague. We had not consulted.

In my region, it's not the automobile, aerospace and naval construction industries that dominate the economy, but rather textiles, lumber and furniture. I would like to draw your attention to another sector that also affects agriculture, the maple syrup industry. As you probably know, there are no outlets on the market at the present time. This means that 55 million pounds of maple syrup are being stored in barrels. Among other measures, the government of Quebec has just granted 25 million dollars for production holidays spread over five years. On the federal side, the Economic Development Agency of Canada granted \$800,000 to improve productivity, which is indeed a very serious problem in this sector.

With a view to opening markets in Japan, China, or Europe in general, for example, would it be possible to establish a strategy in co-operation with the Department of Agriculture?

[*English*]

**Hon. David Emerson:** Thank you very much, honourable colleague.

As we undertake trade liberalization agreements with Korea and move to closer relations with Japan and China, I would expect that opportunities will be there. We need to make sure maple syrup is high on our list of areas where we want improved access to a number of those markets.

I have not been engaged in the maple syrup business with the Minister of Agriculture, but I will certainly take that back and make sure maple syrup is at the top of the list in terms of some market access demands we're going to have to make.

We've got all kinds of issues of a negative variety when we get into these agreements. People see threats. We see too little of the situations in which there's a positive opportunity. I'm delighted to have that information and I'll carry it forward.

[*Translation*]

**Mr. Marc Boulianne:** Mr. Minister, I could then invite you to taste an avalanche of maple syrup.

[*English*]

**The Chair:** Thank you for getting right to the point.

Claude.

[*Translation*]

**Hon. Claude Drouin:** Thank you, Mr. Chairman.

Mr. Minister, we are pleased to hear you speaking of the future of the industry. I would like to return to some points that were raised earlier. We note that within a context of internationalization, the textile and garment business is experiencing a great deal of difficulty. A total of 0.75 billion dollars has been invested by the Government of Canada to sustain this industry. You mentioned that we had to concentrate on niche products and maximize business opportunities with the very large American market, which is right next door.

Industry Canada works to develop industry as a whole, but Canada Economic Development deals more specifically with deficiencies related to each region and each province. Our government has granted Canada Economic Development a total of 300 million additional dollars over five years for the Quebec regions to ensure they can meet the challenges of internationalization in all industrial sectors. For us in the Beauce, the assistance granted to maintain and create new jobs is really appreciated.

In your document, you alluded to the importance of labour force training. I believe that yesterday's economic update reflects this. Indeed, more than 10 billion dollars is to be invested to meet the challenges of tomorrow. You also speak of research and development, an area where the Government of Canada is very active, but you recognize that more must be done.

Would there be any way to give all Canadian industrial sectors concrete examples of R&D successes by companies using the credits granted by the government? I believe that a picture is worth a thousand words. I would like to hear your comments on this matter.

But first of all, I would like to sincerely thank you for the action you have taken and the action you will very soon be announcing regarding lumber. We recognize that this is a major problem. When this debate began, those involved said they didn't want any immediate assistance for fear of reprisal from the United States. However, they now tell us that the time has come to take action. You tell us you are answering the call, which I greatly appreciate.

Thank you, Mr. Minister.

•(1055)

[English]

**Hon. David Emerson:** There's no doubt that on the forest sector side of things the industry is going through very fundamental adjustments, and not just the softwood lumber producers, as you know; a lot of the pulp and paper operators are going through some very challenging times. Pulp and paper mills are not hundred-million-dollar operations, they're billion-dollar operations. The kind of transformation using technology that they have to go through is very expensive. We're looking at how we can encourage those parts of the forest industry to make the changes that will make them globally competitive and allow them to focus on the niches going forward.

The package that's coming down is going to be very interesting. It will have a portion focused on the softwood lumber producers and those that are sitting there with billions, hundreds of millions, or tens of millions in deposits. We're going to have to look at how to help them carry on their businesses at a time when it could take a while to resolve the dispute. If we go to an election, of course, that will put off the opportunity for a softwood lumber negotiation further, and we're going to have to worry about the ability of our companies to weather that period.

In terms of technology and success stories, I very much appreciate and accept your suggestion. There are literally thousands of examples of companies out there that have had the opportunity to participate through risk-sharing investments by the Government of Canada that enabled them to undertake research and apply technology. Research in Motion, of course, is the most prominent example of a company that really started out with the help of an investment from the Government of Canada to share risk. Now it's one of the world's leading e-commerce, e-economy, wireless companies.

There are many companies in the clean energy area, in the information communications technology area, that have shown what you can do with technology and research. We should be highlighting some of those and showing other companies that aspire to go through change and become globally competitive how it's been done in different sectors by different companies. I think that's a very good suggestion, which we should pursue.

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

I'm going to let Michael have the last minute, and then we'll adjourn for the next committee.

**Mr. Michael Chong (Wellington—Halton Hills, CPC):** Thank you, Mr. Chair.

Thank you, Mr. Minister, for appearing.

I'm disappointed that your sectoral strategy doesn't contain anything on the pharmaceutical industry. It's an industry that is a very large one in Canada and contributes billions of dollars to the GDP and hundreds of millions of dollars to research and development.

Earlier this year your government published in the *Canada Gazette* proposed changes to strengthen intellectual property laws around pharmaceuticals, and later in the year it rescinded these proposed changes. This has caused a lot of concern in the industry. It's not the kind of steady hand and clear guidance the industry expects. I'm wondering if you would comment as to why the flip-flop on this issue. Furthermore, will your government reintroduce the changes you proposed initially?

**Hon. David Emerson:** Thank you very much, colleague.

The pharmaceutical industry is not on the list today because it's not a sector strategy we've been developing in the early phase. However, as you pointed out, there are a number of issues we are working through with the biotech sector and with the pharmaceutical sector.

You've mentioned the regulations around patented medicines. We did gazette some changes to those regulations. We got a lot of feedback from different parts of the industry. Basically, we're told it wasn't good enough. As you know, there are segments in the industry that have directly competing goals involving these regulations, and we had to go back into further discussions with them to see whether we could reach a compromise with the different, conflicting points of view.

I now have another proposal, which I intend to bring to cabinet in the next few weeks and hopefully get published and re-gazetted so that we can move on with it. Again, it's a compromise. You will never find a world in which everybody is happy on this one. It really is a quintessential...not quite a zero-sum game, but an infinitesimally small-sum game, so we'll be coming back with another run at it.

I'll look forward to your support.

•(1100)

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

Thank you, colleagues. Thank you, Mr. Minister, for being here. This was an excellent round of questions.

We're going to adjourn for today. We'll see you Thursday morning, colleagues, on Bill C-55.

And, colleagues, we're awaiting confirmation, but I'm hopeful we'll have the AECL nominee tomorrow afternoon.

We're adjourned.





**Published under the authority of the Speaker of the House of Commons**

**Publié en conformité de l'autorité du Président de la Chambre des communes**

**Also available on the Parliamentary Internet Parlementaire at the following address:  
Aussi disponible sur le réseau électronique « Parliamentary Internet Parlementaire » à l'adresse suivante :  
<http://www.parl.gc.ca>**

---

**The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.**

**Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.**