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Chair

Mr. James Rajotte

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● (1100)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): We'll start the meeting at about 11:01. We like to start our meetings on time. There might be something going on in the House that's delaying some of the members. It'll just allow the three of us a lot more question time.

We have here a number of witnesses from various departments in the Government of Canada, and we thank you all for being here today.

I'll read the witness list. We allow generally up to 10 minutes for a presentation. I think because we have four different presentations today, we'll ask that you try to shorten it to, say, five to seven minutes. If you do want to take the 10, we would allow that.

We have, first of all, from the Department of Industry, Sara Filbee, the director general, manufacturing industries branch. We have Renée St-Jacques, chief economist and director general, micro-economic policy analysis branch. We have Robert Lamy, the coordinator of economic analysis, micro-economic policy analysis branch.

From the Department of Human Resources and Social Development we have Martin Green, acting director general, program policy planning and analysis. We have Cliff Halliwell, director general, policy research and coordination. We have Eric Parisien, director of the sector council program division.

From the Department of Natural Resources we have Howard Brown, assistant deputy minister of the energy policy sector. We have Margaret McCuaig-Johnston, assistant deputy minister, energy technology and programs sector.

And from the Canadian Tourism Commission, we have Michele McKenzie, the president and chief executive officer.

Thank you all for coming here today.

As you know, we are studying the manufacturing sector—its importance, its challenges, and some of the concerns the sector is facing relating specifically to the appreciation of the Canadian dollar, increased labour costs or labour availability, and energy as a feedstock into the sector. Regulation has been brought up, as well as responding to increased global competition from countries such as China, India, Brazil, etc.

That's the mandate of the committee, our first study. We welcome you all here.

I think we'll start with the Department of Industry's presentation.

Madam St-Jacques.

Ms. Renée St-Jacques (Chief Economist and Director General, Micro-Economic Policy Analysis Branch, Department of Industry): Thank you, Mr. Chair, and thanks to the committee for the invitation to appear before you to discuss manufacturing in Canada.

The committee is undertaking a very important and timely examination of the Canadian manufacturing sector.

[*Translation*]

We've prepared a document that was distributed to you, I believe. That document presents what we think are the essential statistics on recent developments in the Canadian manufacturing sector.

Since our reading is consistent with that of a number of witnesses you've heard in recent weeks, I'll be brief.

[*English*]

Essentially, as Mr. Chair was saying, the manufacturing sector has faced three major challenges: the sharp depreciation of the dollar that began over three years ago, an increase in commodity prices, particularly in energy and metals—and the two are not unrelated, as you've heard from previous witnesses—and finally, more competition from emerging economies, notably China.

Overall, it's fair to say that the sector has shown remarkable resilience in the face of these challenges. Total manufacturing output has continued to grow, thanks to very strong growth in world demand, and particularly strong U.S. demand. This said, manufacturing output has been growing more slowly than the rest of the economy and more slowly than its historical average.

Manufacturing employment, as you've heard before as well, has fallen by some 8% since December 2002, with a net loss of some 187,000 jobs. And losing one's job can be one of life's most disruptive and upsetting experiences. The only silver lining we can point to is that the economy has been creating employment in other sectors at quite a fast pace. Well over 900,000 new jobs have appeared since December 2002. That was about the point when the dollar started taking off. The majority of these jobs are in sectors such as construction, financial services, and resource industries, which pay wages that are just as high, or even higher, than manufacturing wages.

Having the right training and skills is vital for those who have lost manufacturing jobs and are looking for employment in these expanding sectors. I'm sure our colleagues from Human Resources and Social Development will have more to say to you about this critical ingredient on the people side of adjustment.

Some manufacturing industries have faced challenges on all three fronts: the higher dollar, higher energy costs, and competition from emerging economies. The pulp and paper sector is a case in point. Its production is priced in U.S. dollars, the market for pulp and paper is global, and the sector uses lots of energy and faces competition from Brazil and Indonesia, where wood fibre is fast-growing and thus cheaper.

Competition from emerging economies, notably China, has been the major long-term challenge for other industries. This is illustrated on the chart that you have on page 6 of the handout in front of you. Among the most exposed among those are textiles and clothing, leather, computers, and appliances.

Now, an indicator of financial health is profit margins, which we show on page 7 of the handout. Again, exposure to international trade seems to be the deciding factor in whether profit margins are normal or lower than normal, and the manufacturing industries most exposed to trade have experienced lower than normal profitability. In some cases, it has been much lower than historical norms. For their part, industries less exposed to international competition have fared quite well on the profit front.

Manufacturers have been adjusting to remain competitive, as other witnesses have pointed out to you. They have boosted their investments in machinery and equipment, and that is true across the manufacturing sector, with both trade- and domestic-oriented industries having increased their investments. That's shown on page 8 of your handout.

Manufacturing industries are leaders in labour productivity growth in Canada, as shown on page 9 of your handout. These two developments, investments and productivity growth, bode well for the competitiveness of Canadian manufacturers in the future.

So to sum up, manufacturing is undergoing a transformation and a very significant adjustment. Overall, it is demonstrating remarkable resilience and capacity to adapt. But some industries and manufacturers are faring less well, and we recognize that, and those are mostly industries that are facing competition from emerging markets, both in Canada and in their traditional export markets.

Finally, adjustment for workers has been eased somewhat by strong employment growth in other areas of the economy, and these new jobs, more often than not, are paying wages that are as high or higher than manufacturing wages.

I will stop here, thank you, and my colleague Sara and I will be happy to answer any questions you may have.

● (1105)

The Chair: Thank you very much, Ms. St-Jacques. That was our shortest presentation. Thank you very much for being within the time.

I think we're going to Mr. Green. Are you presenting on behalf of Human Resources and Social Development?

Mr. Martin Green (Acting Director General, Program Policy Planning and Analysis, Department of Human Resources and Social Development): Yes.

We thank you for the opportunity to be here today. Along with me are Cliff Halliwell, who is our director general of policy research and coordination, and Éric Parisien, who is the director of the sector council program division.

First of all, I would like to say that we're very pleased to have contributed to discussion on this issue by assisting the Canadian manufacturers and exporters initiative, which led to the excellent Manufacturing 20/20 campaign, which provides an overview of many ideas for moving forward. Manufacturing 20/20 stresses the necessity of nurturing a skilled manufacturing workforce in light of changing demographics, increased international competition, rapid technological change, rising costs, and a strong Canadian dollar.

Canadian industry benefits from having access to one of the world's most highly skilled and well-educated labour forces. Canada's skilled and educated population, combined with an efficient labour market, have helped labour participation to climb to 67.4% overall, an historic high. At the same time, that employment growth has been stronger than in other G-8 countries over the last decade. Yet as we know, that workforce growth cannot continue to grow at the same rate, because, like all developed countries, our population is aging. This aging effect could lead to shortages of skilled workers and is one of the foremost concerns expressed by Manufacturing 20/20.

Manufacturing needs to attract new workers to replace retiring workers, but it also needs to focus on updating the skills of its existing workers to permit raises in productivity that will drive economic growth and ensure competitiveness. HRSDC believes that raising the skills of our workforce even further and in an ongoing fashion is a key means to improve productivity.

However, Canada is lagging behind other countries when it comes to investment in skills development in the workplace. In fact, only about 35% of the adult workforce participate in job-related formal training. Internationally, Canada slipped from twelfth place in 2002 to twentieth place in 2004.

We also need to ensure that the skilled workers we do have are matched with the jobs that are out there. Our analysis shows that we are not confronting a generalized skilled labour shortage in the economy, but we have problems of specific regional and sectoral shortages, described as mismatching, which are becoming more evident as the labour market tightens. For example, 42% of manufacturers surveyed in Alberta are facing production difficulties due to labour shortages, compared to only 4% in Ontario.

We are confronting paradoxical employment tendencies in manufacturing. We have skills shortages in some regions and industries, but net job losses overall. As you've already heard, manufacturing has lost about 200,000 net jobs since 2002. At the same time, there are critical shortages in a number of skilled trades that are essential for manufacturing. These changes in labour demand from employers and manufacturing are part of the ongoing healthy and productive process of adjustment. Government's role is to facilitate adjustment as it permits long-term growth, while hindering it would lead to economic stagnation.

On the labour side, we need to ensure that the economic union functions properly and that we have a mobile workforce with transferable skills. With respect to our department and skills initiatives, we coordinate certain initiatives to address workplace skills issues, lever more investment in skills development, and address labour market efficiency. One of our tools for addressing skills issues is the sector council program, which brings together stakeholders, industry, labour, skills providers such as colleges and training firms, and government. A sector council maps out the skills profile of a sector and then engages in planning, coordinating, and developing a supply of skilled people in response to sector needs.

So far we have established a network of 32 sector councils, including 10 sector councils that are active in important manufacturing sectors such as biotechnology, aviation, plastics, steels, automobiles, textiles, and wood products, covering around one-third of the manufacturing workforce.

The Textiles Human Resources Council, for example, shows us that skills development issues are important even when there has been an overall decline in textile employment. Textiles are transforming into a sector producing specialized products with greater added value, but this takes a new breed of highly skilled textile worker. The Textiles Human Resources Council is helping workers to upgrade their skills to meet this new reality, and it is the only body doing so, because there are no specialized post-secondary education courses in textiles.

● (1110)

The Canadian Steel Trade and Employment Congress provides another illustration of invaluable sector council work. This council completed a human resource study last year that provides a strong basis for moving ahead on a workforce development plan to deal with the need to replace trade skills in an aging industry.

Our department also helps manufacturing meet its labour requirements in a variety of other ways. Working with Citizenship and Immigration Canada, we play a vital role in better integrating and employing the labour skills of migrants and foreign workers. Announced in budget 2006 was the development of a new Canadian agency for the assessment and recognition of foreign credentials, which will directly benefit manufacturers by improving the supply and integration of immigrant skilled labour.

HRSDC is also working to improve the foreign worker program, which facilitates the hiring of temporary foreign workers. Nearly 100,000 applications from employers were submitted through our department in 2004.

Apprenticeship programs are also crucial for skills development, and they need to be more accessible and flexible, as Manufacturing 20/20 pointed out. HRSDC's interprovincial standards red seal program supports the mobility of journey persons, covering approximately 80% of registered apprenticeships in 45 regulated trades.

On top of that, the government has announced the new apprenticeship incentive grant, which will benefit 100,000 first- and second-year apprentices, as well as two new tax measures: an apprenticeship job creation tax credit for employers to hire new apprentices, and a new tools tax reduction for employee trades people to help with tool costs.

These are some of the ways HRSDC is helping the labour market supply skilled workers for the manufacturing industry. The full range of our efforts from employment insurance skills development measures through to the workplace partner panel is too long to list here. But we must also keep in mind that the federal government alone is not responsible for developing a skilled workforce to meet the needs of the manufacturing sector.

For example, most training is best provided locally, rather than centrally, by manufacturing firms themselves or by skills providers such as colleges or training firms. That is why our principal role is one of leadership and coordination. Our department's aim is to continue to move forward while engaging other governments, industry, labour, and educational institutions, and working in partnership to find new ways to creatively address pressing skills issues.

The Chair: Thank you very much, Mr. Green.

We will now go to the Department of Natural Resources. I believe, Mr. Brown, you'll be presenting.

Mr. Howard Brown (Assistant Deputy Minister, Energy Policy Sector, Department of Natural Resources): Thank you very much, Mr. Chairman.

I tabled a statement, which I hope got to you in time to distribute to the members. That being the case, I'll give you the Cole's Notes version of the presentation.

I guess the starting point for what I want to say, Mr. Chairman, is the observation that in a very real sense, Canadian industry, and Canadian manufacturing in particular, has been built on a foundation of reliable and relatively affordable energy. It's certainly true if you look around the Ottawa Valley, even going back to the 19th century, given the number of mill towns that relied on affordable, reliable energy. It was true in the industrialization of Ontario through the middle parts of this century, and in other provinces as well. And, I guess, of most relevance to this discussion, it was true in the 1980s and 1990s in Canada, when Canadian industry enjoyed a real advantage in the prices of many energy commodities, including natural gas and fuel oil. That advantage was due, in some measure, to regulation of energy products like ethane.

It's always difficult to be definitive about causation in economics, but one would expect that given this cost advantage in energy commodities, Canadian industry and Canadian manufacturing would tend to specialize in energy-intensive industries. And that, indeed, is what the evidence seems to suggest.

If you look at the G-7 in the year 2002—and I apologize for the lack of timely data, but it's often the case with international comparisons that you have to work with data that aren't completely up to date—Canada certainly had a manufacturing structure that tended to concentrate on energy-intensive industries just slightly below that of the U.S. and the United Kingdom. Moreover, within sectors like pulp and paper, the evidence suggests that Canada specialized in the really energy intensive kinds of production, like pulp, and had less production in the more energy-efficient kinds of activities, like paper. And there's similar evidence for the metals and petroleum refining industries as well.

I think we all understand that the reality today is that Canadian companies, and indeed their competitors in other industrialized countries, face very strong competition from countries that are producers of low-cost fossil fuels, which plays out in a number of dimensions. Natural gas is a particular case, because we do not yet have an integrated world market for natural gas. In that situation, new petrochemical plants are likely to invest in places like the Far East, Trinidad, and North Africa, where they have access to that low-cost feedstock, rather than in North America. But more generally, the increased costs in energy are going to be a challenge for us and other industrialized countries.

Electricity is a little bit different. Provincial utilities continue to provide Canadian industrial users with some of the cheapest electricity in the world, but there are questions about how long that can be sustained, and there are prospects of price increases in some provinces.

Throughout the advanced economies—the G-7, G-10, Europe, North America, Japan—all of our manufacturing industries are going to face these competitive pressures, but these will of course be most difficult for those countries, like Canada, that tend to specialize in energy-intensive activity. There has been a movement in Canadian industry to adapt to this trend towards higher prices. Pulp and paper, for example, is starting to use waste from its own production processes to meet over half of its energy needs, and there are other opportunities. Cement, for example, can use waste like tires to meet its energy needs, rather than buying expensive oil.

A key measure of our ability to adapt to higher energy prices is the rate at which our energy efficiency improves. So the question arises, how have we done on this measure? In the 12-year period ending in 2002, the energy efficiency of Canadian manufacturing improved faster than in any other G-7 country except France. And in this regard, it may be instructive to compare our performance with that of the United States. Between 1990 and 2002, energy use in manufacturing increased at almost exactly the same rate in the two countries—14% in Canada versus 12% in the United States. However, energy intensity in Canada—that is, energy per unit of output—improved by almost 30% in Canada versus only 8% in the United States.

So how do you reconcile this rate of improvement in energy efficiency—almost four times better in Canada than in the United States—with an increase in energy use that was almost exactly the same?

● (1115)

The fact is that our output in manufacturing grew much more rapidly than did that of the United States. There was also some shift here toward more energy-intensive output. This comparison suggests that Canadian industry can adapt and compete, but the reality is that very real competitive pressures are going to remain.

The manufacturing industry is keenly aware of this. My colleague from HRSDC has already referred to Manufacturing 20/20, which identified rising energy costs and a reliable supply of cost-competitive energy as among the top challenges facing Canadian manufacturers.

Since the national energy program was dismantled in 1984 by the government of Mr. Mulroney, it has been a fundamental and enduring principle of Canadian energy policy, but the federal government does not intervene in energy markets to control prices. I'll go out on a limb and suggest it's very unlikely that this government would choose to do that. So directly controlling energy prices and subsidizing energy prices are probably not tools in the toolkit for government to help industry.

We can, however—and do—work with industry to improve the energy efficiency of Canadian manufacturers. We think it's critical to engage industry in taking ownership and responsibility for the management of their energy use. To this end, Natural Resources Canada's industry program for energy conservation, or CIPEC, focuses on voluntary energy intensity improvement targets. My colleague Margaret McCuaig-Johnston, the assistant deputy minister of energy technology programs, is responsible for that and not me, so I'm stealing her thunder a little bit. But I did want to give a plug to this program.

The rate of improvement in energy efficiency in Canadian mining and manufacturing has been almost 2% over the last decade. Energy use per unit of output has fallen by almost 2% a year over the last decade, which is pretty remarkable progress by anybody's standards, and double the target that industry set for itself in 2000. Margaret and CIPEC can't take all the credit for that, but it is certainly the case that CIPEC and other Natural Resources Canada programs contributed to that rate of improvement.

I've been told by people in industry that CIPEC is the only useful thing that the Government of Canada does. I'm not sure I'd agree with that, but I would say it's certainly among the useful things that the Government of Canada does.

I think I'll stop at that point, Mr. Chair.

● (1120)

The Chair: Thank you very much, Mr. Brown.

We'll have Ms. McKenzie on behalf of the Canadian Tourism Commission.

Ms. Michele McKenzie (President and Chief Executive Officer, Canadian Tourism Commission): Thank you.

I'd just like to review the deck that I circulated, just to share with you some of the challenges and opportunities we are facing in developing tourism for Canada.

The Canadian Tourism Commission is a crown corporation. Our head office is in Vancouver. We're responsible to Parliament through the Minister of Industry.

Our focus is to develop the Canadian economy through growing export revenues from tourism source countries. In order to do that, we focus on countries with the highest rate of return. I've listed the countries in the presentation today. In Europe and Latin America, we're in the U.K., France, Germany, and Mexico. In Asia-Pacific, we're in Japan, South Korea, Australia, and China. And of course, we're heavily invested in the U.S. market, which is our largest international market.

Much has been changing in the tourism landscape for Canada. World demand for tourism is very strong. Tourism is the fastest growing industry in the world, and Canada is a dream destination. It's the type of destination that for people from most countries, when they dream about travelling somewhere in their lifetime, is in their list of top three destinations.

Tourism revenue was up in 2005, but the specifics of that tell a difficult story. Domestic travel is up almost 9% in terms of revenue. The U.S. is down almost 9% in terms of revenue. Our overseas revenue is up about 6.3%.

Our overseas market performance, in fact, has been very strong for the last number of years. We've been working on a refreshed tourism brand for Canada and have rolled that out now, especially in the U.S. market, where we're fighting a fierce competitive battle. We've gained a competitive edge by being the country that leverages the web better than any other country in the world for tourism promotional purposes.

We have a new team in Vancouver and our partner investment is strong, meaning that Canadian industry partners in tourism invest at least a dollar for every dollar that is invested through CRTC.

The bad news, however, is that our primary market of reliance with 70% of receipts is in sharp decline, and that, of course, is the U. S. In addition to that, Canada's travel deficit is ballooning. By that I mean that Canadians are spending far more money outside of Canada in international travel than international travellers are spending in Canada. That travel deficit number hit a record last year and is likely to hit another record this year.

Competition in the world is fiercer than ever, and largely because of our performance drop in the U.S., Canada has slipped from seventh to twelfth in terms of international rivals worldwide, and from tenth to twelfth in terms of international receipts since 2002.

The CRTC marketing budget is in decline. An additional cut was assigned to the CRTC this year, and our share of voice, meaning the number of dollars that we spend in our key markets compared to our closest competitors, is weaker.

I've included a chart that shows what we're expecting for tourism growth. I mentioned that tourism is the fastest growing industry in the world, and you can see through to 2020 the very steep growth curve that we continue to anticipate.

In terms of U.S. outbound travel to Canada specifically since 1990, you can see from the growth curve I've included that Canada has not seen any real growth in the U.S. market for nearly half a decade.

A Conference Board of Canada survey of U.S. travel intentions reveals that a greater proportion of Americans will in fact travel outside of the U.S. over the next six months—this was taken in February of this year—but they're quoted as saying that Canada will not be their destination.

In fact, U.S. travel intentions were up about 2.8% in February of this year for outbound travel generally, but the portion that Canada would share of that is expected to decline from 2.2% to 1.7%—the percentage of the U.S. population planning a trip to Canada this year.

Many factors are contributing to this decline. One of the key factors, as I've mentioned, is the fact that the U.S. is the most fierce market for competition of outbound tourists internationally.

The U.S. awareness of Canada as a travel destination is also weak. We have about a 4% share of voice, meaning our investment in the U.S. market is 4% of the overall marketing effort of all destinations combined. In the U.S. market they are much more aware of what destinations offer in Europe, Mexico, and the Caribbean.

● (1125)

Border-crossing difficulties continue to challenge our sector, and those difficulties are in the language of the customer. They perceive delays at the border and they perceive that crossing into Canada is becoming more and more difficult. That is being confused by the western hemisphere travel initiative, which we know has very specific aspects to it that will require new secure documents, or secure documents that have not yet been defined, but certainly passports as one of those documents for U.S. citizens, or for anyone, to cross back into the U.S. from Canada, or from any other location. In our research, we're finding U.S. consumers are confused about what they need when they travel outside the U.S., especially into Canada.

Higher gas prices and the decline in the purchasing power of the U.S. dollar in Canada have also contributed to this decline over the last few years, and certainly are a drag on demand this year.

I've included a chart that shows the impact of exchange rates and overall travel demand from the U.S. to Canada. You can see those two elements generally follow a similar curve.

Similarly, crude oil and gasoline prices, of course, also impact visitation from the U.S. to Canada, especially in the border markets where people are more likely to be driving.

Speaking specifically to the WHTI, the western hemisphere travel initiative, the Canadian Tourism Commission commissioned a study from the Conference Board of Canada or the Canadian Tourism Research Institute, which is an arm of the Conference Board, in May 2005. Our analysis was based on the April 5, 2005, WHTI proposal, which remains a proposal today although amendments have been proposed.

That proposal suggests passports will be required to enter or re-enter the U.S. from Canada by air and sea on December 31, 2006, and by air, sea, and land on December 31, 2007. As I mentioned, there are proposals now that may see those deadlines extended.

In terms of the approach we used to do that research, we surveyed Canadian-U.S. households to determine how many people possessed passports and the anticipated reaction to the legislation. We assessed the impact compared to a baseline. We assessed the decision-making process of travellers that varied by purpose of trip and length of stay. And also we discovered that confusion is playing a major part in perception.

I've included the findings in this report that show the rate of passport ownership in U.S. households, in the general population, and in travellers to Canada—same-day travellers, overnight auto travellers, and overnight air travellers. And you will see that the most challenging area we are facing is same-day travellers to Canada. The area where we're in the best shape is overnight air travellers to Canada.

When you accumulate the findings, between 2006 and 2008 a cumulative impact of more than $1.6 billion is predicted to be lost to the Canadian tourism industry through the implementation of WHTI, as proposed in 2005. We believe WHTI will add another layer of restrictions to an already declining market, and that a careful balance needs to be sought between security and tourism concerns. Its implementation, as it stands, will hinder our competitive edge even further.

The tourism industry, through the Tourism Industry Association of Canada, the hotel associations, and other leaders in the tourism industry, is advocating the following changes to WHTI: a single implementation date for air, sea, and land to help resolve some of the confusing issues we're currently facing; accessible, affordable passport substitutes; an exemption for travellers 16 years of age and under; a U.S. awareness campaign, so that people in the U.S. become a lot more aware of the requirements to travel to Canada; and the expansion of both the NEXUS and FAST programs so that we're not creating more documents, but rather building on the documents that currently exist.

Thank you.

● (1130)

The Chair: Thank you very much, Ms. McKenzie.

We will go into our first round of questioning. Each member has up to seven minutes. If the members could be brief in their questions and the witnesses brief in their responses, that would be very helpful.

We'll start with Mr. Fontana, for seven minutes.

Hon. Joe Fontana (London North Centre, Lib.): Thank you, Mr. Chairman.

Welcome, all.

I have had the pleasure of working with some of you over the past number of years, and I know that you do some incredible work.

Some of the questions might be more about policy than about administration, but let me try to connect the dots, as I've heard a lot of material here about industry, natural resources, and human resources. Tourism obviously is something we might want to talk about.

This country has had it pretty good over the past number of years, with low energy costs, low dollar, and low interest rates, but everybody so far who has come before our committee, including the Governor of the Bank of Canada, has indicated that there are some pretty dark clouds looming out there in the form of high energy costs, high dollar, increases in interest rates, and a whole bunch of other factors, including competition.

But everyone also talked about the even graver situation in which our country finds itself, in the form of our demographic challenges. I want to talk a little bit about the human resources side of things, but I need to understand. There's no doubt that government can't do it. Labour obviously wants to do it. Industry and all the CEOs believe that their biggest challenge, regardless of all those other macro issues that they have to deal with, is meeting the human resources needs of this country sector by sector. Meeting these is absolutely crucial if in fact we're going to continue to have an economy, and even a competitive one.

Two hundred thousand jobs have been lost in the manufacturing sector. We understand that in fact, in the coming year, another 200,000 jobs may be shed, all because of things...and yet there are 250,000 jobs going wanting somewhere in this country. That mismatch between the jobs that are required and the skills that are not there was spoken about, and I want to know what you're doing.

I know we have the sectoral councils, but between the three levels of administration, from human resources to industry to natural resources, what degree of cooperation is there, not only between us in government and other levels of government, but between educators, labour, and business, to do exactly the same thing we've just talked about? There are all kinds of mobility, and the internal barriers, and the regulatory stuff that come into play. How is it that we're going to be able to fix this big nut, to make sure we attract and retain the kinds of skills and human resources that this country's going to need in the next 10 or 15 years in order to continue to have a strong economy?

If I could have your comments on that, I would appreciate it.

Mr. Cliff Halliwell (Director General, Policy Research and Coordination, Department of Human Resources and Social Development): I'll take it first because I'm in the labour market forecasting business.

The member has raised a very important issue. We should never forget the cost to the economy of finding yourself in a situation in which there are what I describe as people without jobs at the same time as there are jobs without people, or in which you have people in jobs that don't match their skills. Then, you end up with either lost output or lost productivity. It's important to try to improve that matching of the economy and facilitate that matching.

Clearly, there are a number of programs and activities of the department that are aimed at that. Labour market information programs and good labour market data are essential for people to understand where the outlook is best and where the opportunities are best. Programs that provide specific information on job openings are essential. The Internet helps a lot.

I think the other thing we should think about—and it's something we tend not to in this area—is whether or not production needs to be more mobile.

We have an instinctive reaction in human resources to think that workers need to be mobile, but production can be equally mobile. To the extent that there are workers without jobs in particular parts of the economy, a firm seeking workers should consider the possibility of exploiting those opportunities. It takes a lot of movement back and forth and a lot of good information to help to reduce this mismatch. You can't ever make it go away in a very complicated economy, because in the end even a moving decision for a worker is a major decision to make.

● (1135)

Hon. Joe Fontana: Along with what business and labour and everybody's talking about, is there a concerted federal government plan amongst all the various departments? I know I could direct that to my colleagues, and perhaps I will, because I don't see that plan coming together. Perhaps it's more a function of the resources and who is actually responsible for training and making sure the skills are available and so on. One might say that giving a few dollars for someone to deduct mechanics' tools from their taxes is going to incent a heck of a lot of people to fill those jobs, or maybe it's education and so on.

But is there a 10- or 15-year plan somewhere that talks about the human resources requirements to meet the needs of industry in all sectors in this country?

The Chair: Mr. Green.

Mr. Martin Green: I don't think there is a seamless 10- to 15-year plan. I think a number of the building blocks have been put in place as the economy has shifted from one where we're really focusing on skill shortages. We've had the benefit of such a strong economy for a long time. There's the recognition of a number of issues out there—older workers, the need for hybrid skills. Some of the building blocks have been put in place.

In the last couple of years, our department has announced the workplace skills strategy, which has various components to it.

There is the workplace skills initiative, which is not a big program, but it is one that's very much focused on recognizing what you were talking about with respect to the various partners who are involved. We need to get the educational institutions and all levels of governments playing together. As I say, the workplace skills initiative was announced a little more than a year ago. We're just in the throes of looking at different pilot projects that would come together to say, here's the province, a firm, and an educational institute working together. So we're starting to look at that.

Also, there is the workplace partners panel, which is facilitated through the Canadian Labour and Business Centre. That is an attempt at the federal level to basically address what you're talking about, that there is no federal, provincial, or educational institution answer to these problems. These players have to come together. What we're talking about is probably a degree of unprecedented collaboration. I think that is also true, within the federal government, with respect to the three departments that are here today.

It's probably not typical in the last decade that departments have come together to address these issues, but in fact there's an awful lot going on right now. I know that we've been working with NRCan to look at the oils sands issues. The provincial government is at the table. The educational institutions are coming together.

So in terms of a 15-year plan, no, I don't think it's there, but I think it's coming.

● (1140)

The Chair: Thank you, Mr. Green.

I will go to Mr. Crête, for seven minutes.

[*Translation*]

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

You're giving us the same test as the manufacturing industry people. It's very educational. You table a pile of documents, and we have to adapt that reality in five minutes. We even have a department that doesn't have a document, for lack of time to prepare one. You're plunging us into the situation of people who work in plants, but we can still move a little.

The table on the tourism industry and the table on page 2 of Industry Canada's presentation, entitled "Average Growth in Real GDP by Industrial Sector", subtly shows the influence of the price of oil on U.S. tourists who come to Canada. The table is well disguised, but you quickly understand that the long-term growth in natural resources will increase, whereas that of the manufacturing sector will decline.

I'd like you to produce this table for comparison purposes. We could see that the price of oil is rising and the number of manufacturing jobs is falling. Last weekend, *La Presse* reported that 71,000 jobs in the Canadian manufacturing sector have been lost since last year.

In his notes, Mr. Brown states:

> While we cannot intervene in energy markets to ensure cheap energy, we can work to improve the energy efficiency of Canadian manufacturers.

I'm not saying control prices, but wouldn't it be important to conduct studies in your departments to determine how we could reduce the effect of energy price increases? As regards gasoline, we know that, if refinery profit margins were reasonable, the consequences wouldn't be as great. We're currently experiencing the biggest increase in the value of the dollar in 28 years. The way things are going, energy price increases and the boom in the energy sector will over in five years, but there'll be no more manufacturing sector.

What are you doing in your departments to offset that effect? I apologize to the tourism industry, but we may not have the time to talk today. We'll have to have another meeting, if necessary, because your tables are very significant and very well done.

Mr. Brown could begin and tell us what his department is doing to ensure that energy prices are as low as possible. The idea isn't to control them, but to find a way to reduce the negative impact of price increases, as was done in the case of oil sands development.

[*English*]

Mrs. Margaret McCuaig-Johnston (Assistant Deputy Minister, Energy Technology and Programs Sector, Department of Natural Resources): Could I respond to that? We have, as Mr. Brown indicated, a program called the Canadian industry program for energy conservation. It has been in place for 30 years and it's supported by all sectors of the economy.

[*Translation*]

Mr. Paul Crête: That's not my question, madam. I'm not questioning what you're doing for energy conservation. I'm asking you what you're doing so that energy prices are lower and that growth improves from the present catastrophic situation.

Mrs. Margaret McCuaig-Johnston: You're talking about the impact of prices on plants and companies, not price control.

Mr. Paul Crête: I'm not talking about controlling prices, but, for a given industrial sector, there are ways to avoid the negative impact we're currently seeing.

[*English*]

Mrs. Margaret McCuaig-Johnston: Right. The program of which I'm speaking has audits available for companies; you can have an audit come in and review a number of days in your plant to identify cost savings for the company in their energy and water use. It can reduce the cost of energy in an individual plant by as much as 30%.

This is looking at new equipment that could be purchased for the plant or looking at something called process integration, which looks at the entire scheme and system of how the plant operates and where one can find energy savings. Companies—and I can give you examples if you're interested in them—can save over $1 million per year in their energy costs, which is a significant amount of money, or up to 30% of their energy costs in a single factory in a single company.

● (1145)

[*Translation*]

Mr. Paul Crête: I understand that the department doesn't have a program. Can the Department of Industry tell us what effect the current trend will have on employment in the manufacturing sector in two years? Will current market trends continue? Over the next few years, will we be losing 71,000 jobs a year until there aren't any more?

Ms. Renée St-Jacques: That's a very tough question.

Mr. Paul Crête: Yes, but it's the one voters in my riding ask themselves every day.

Ms. Renée St-Jacques: First, the rise in the dollar isn't over. The economic models are telling us that we'll have to wait roughly two years before the impact of a significant change in exchange rates is reflected in production and employment. The impact is felt sooner on production and on employment.

Mr. Paul Crête: Are the current very rapid changes already being felt?

Ms. Renée St-Jacques: The major rise in the exchange rate and energy prices is already over. So those adjustments are made. With regard to what happened in 2003-2004, there had been relatively minor changes in recent months, but compared to what happened before that, these changes are more minor. I don't want to speculate about amounts or when this will happen, but there are still a few adjustments to come.

Mr. Paul Crête: Can you evaluate the extent of the impact of each 10¢ increase in the value of a dollar, from 90¢ to $1, for example? If the dollar was at par with the U.S. dollar in three years, what would be the consequences for employment? Have you in any way determined the cost for manufacturing employment of every 10¢ increase in the value of the dollar?

Ms. Renée St-Jacques: We're not specialists. The specialists in the field work at the Bank of Canada for our private sector consultants. We use their forecasts. If there is a one per cent increase in the dollar, the models seem to say that a 0.04 per cent decline in employment will be observed two years later.

That's correct, Robert, roughly speaking?

Mr. Robert Lamy (coordinator, Department of Industry): As Ms. St-Jacques said earlier, it's not our role to build models to determine the effect of an increase in the value of the dollar on the economy.

Mr. Paul Crête: I'm not talking about—

[*English*]

The Chair: Mr. Crête, it's over eight minutes now.

[*Translation*]

Mr. Paul Crête: I took 35 seconds to read the documents and 8 minutes to ask questions.

[*English*]

The Chair: Those are the rules you established for the chair, so I'm following your rules.

[*Translation*]

Mr. Paul Crête: I agree on the eight minutes.

[*English*]

The Chair: We'll go to Mr. Carrie now.

Mr. Colin Carrie (Oshawa, CPC): Thank you very much, Mr. Chair, and thank you to all the witnesses for coming here today. As Mr. Crête was saying, there are so many questions we want to ask and we hope you'll be available to come back.

One of the things I wanted to start with is the human resource challenge and, like my colleague across the way said, a plan. Obviously over the last 13 years there really wasn't a plan, and that leads us to where we are today.

One of the questions I'd like to ask you is this. Do you have any ideas about what government can do to better promote worker mobility? You brought up the concept of production mobility, which I think is a very valid idea. I was wondering, as a new government, whether you have some ideas we could promote to help improve the situation for Canadian manufacturers.

Mr. Cliff Halliwell: I'll catch the first part of that one, and that pertains to the observation about perhaps not having a plan 13 years ago.

I suspect that anyone who looked 13 years ago at the people who were forecasting where the economy would be today.... They would have never forecast that the economy would be in the kind of healthy shape it is today, that the employment ratio would be at a record level, that the unemployment rate would be at a 32-year low. I suspect that very few would have considered that a plan would have been necessary to improve on the kinds of outcomes we have now.

I'm also a bit concerned, having been in the forecasting business for most of my career, about the perils of relying heavily on plans that are hostage to a set of assumptions that are in a forecast that you might make at any one point in time. For instance, if you go back even six or seven years ago, we talked a lot about the shift of the economy to the knowledge-based economy and what that would mean and what that would require in terms of the response of governments. And the reality is that in the last several years the more traditional parts of the economy—the resource sector, the energy sector—are generating tremendous job growth as well, so we've actually had a shift back towards a more balanced mix of employment growth, including considerable employment growth for people in the trades.

One of the things we have to bear in mind is the imperfection of forecasting and the necessity of building a broad foundation for the future. So I consider, just as an example of this, the fact that despite the loss of manufacturing jobs in the last several years, the unemployment rate in the manufacturing sector has not gone up, and that is, the unemployment rate of people who were unemployed and said they were in the manufacturing sector. So clearly a lot of those people are finding work elsewhere. And I think their educational level plays an important role in it.

In 1976 nearly half of manufacturing employees had less than high school education. Now nearly half of them have completed post-secondary education. So that shift in the educational calibre of the Canadian workforce is essential to a more adaptive workforce. And I think that's probably the most important contribution policy can make to creating the flexibility within the workforce, because the flexibility comes from people's skill sets, perhaps more so than from plans.

● (1150)

Mr. Colin Carrie: I would like to address the mobility part of it, though, and this is what we've heard a few times. I come from Oshawa, where there is a lot of manufacturing and a lot of skilled trades. There's a fear that skilled workers could lose their jobs in this area of the country. Do you think there is anything that government could do? In Alberta right now they're wanting these skilled trades.

You mentioned again, as I said, the production mobility and the mobility of people to move across the country. Do you have any concrete ideas about what types of things government could do to help that along?

Mr. Éric Parisien (Director, Sector Council Program Division, Department of Human Resources and Social Development): I'll take that question, if you want.

First of all, in the skilled trades program there is a program that's been in effect for a great number of years, the red seal program, which allows certified tradespeople to move from province to province and have their credentials recognized. That is now very active in 45 trades, not only in construction but also in industrial trades.

Worker mobility is critical, but credentialing is the responsibility of provinces. For the federal government, this department has been very active in supporting provincial regulators in harmonizing their standards and their regulations. For example, for each of the 45 red seal trades, provinces have agreed on a core set of standards for that job, an occupational analysis that will be the same from province to province. In fact, the examination for that trade is actually carried out by this department, designed by this department. So there is quite a bit of activity.

Worker mobility in unregulated trades is critical, and that's where sector councils come in. They develop occupational standards in unregulated areas that allow mobility for workers, because once you've acquired the basic skills and the technical skills of your industry, you're mobile within that industry. Those skills are also transferable to other areas, so there is work being done by sector councils to improve the mobility of workers, not only from province to province but also within the industry. So if one part of the industry dips a little bit and there's employment elsewhere, the skills are transferable.

Mr. Colin Carrie: I have a quick tourism question. I'm curious to know what your initiatives are this year to educate more Americans about Canadians. I know there's been a perceived negativity of Americans towards Canadians over the last few years. Do you have any specific initiatives that you're putting down to the States to promote the vision of Canada or how Canada is perceived?

● (1155)

Ms. Michele McKenzie: Yes. About half of our marketing dollars are dedicated to the U.S. market. Our partners also invest a lot with us and, in fact, independently in that market.

This year we completed the largest piece of consumer research that was ever conducted by any destination in the U.S. We found there was in fact an issue on how Americans thought Canadians might feel about them. But more than that, the barriers of travel are cost barriers and competitive barriers. They see a lot more information about other destinations. Our efforts have been to fight those particular competitive battles per se.

In terms of how we spend money, we've shifted away from the traditional advertising style of activity and more into media and public relations, where we can get a lot more of the message out about what Canada is like to visit and what Canadians are like. It's working quite well.

The Chair: Thank you, Mr. Carrie.

We'll go to Mr. Masse.

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

Thank you to the witnesses for appearing here today.

I'll continue with tourism, especially the western hemisphere travel initiative. How much of your budget was cut from marketing in the last year?

Ms. Michele McKenzie: In the current budget, it's a $3 million cut.

Mr. Brian Masse: When I asked a question in the House of Commons—and I'm only going by memory now—I'm fairly certain the Minister of Industry acknowledged that there was actually an increase to the tourism budget this year. Is that not correct?

Ms. Michele McKenzie: I'm telling you the facts of what the budget figures are for this year; it's a cut of $3 million, from $78.8 million to $75.8 million. I believe the minister was referring to the Olympic investment that may be forthcoming.

Mr. Brian Masse: That's totally different from the western hemisphere travel initiative. If we wait until 2010 to do something, we'll lose a lot of jobs.

What specific recommendations does your department have in regard to dealing with the WHTI? There are recommendations from the tourism association, and I've made recommendations. Has previous Minister Emerson or the current minister recommended anything in the past? This is now an overlap. What specific things are actually in the works, or is there anything to deal with this?

Ms. Michele McKenzie: From a purely tourism perspective, we find that this issue is getting a lot more attention now than it did last year, when our first research was completed. The focus we've made from a tourism marketing point of view is on trying to get the confusion out of the market as quickly as possible.

It means the effort that's currently under way in the U.S. to extend the deadline may in fact prolong the pain for Canada in some manner. It will give them more time for implementation.

The confusion is a big barrier right now in terms of travel intention.

Mr. Brian Masse: Have either the two ministers or your department made specific recommendations on what to do?

I would disagree on the fact that many Canadians and other persons in the business community understood this before your study was launched, which we discussed when you were at committee last time in terms of doing it. What is specifically being done in terms of a strategy?

Ms. Michele McKenzie: When I was speaking about confusion, I was talking about confusion among travellers in the U.S., not confusion in Canada. You're right, there's good clarity in Canada that this is a big issue we need to face.

As a marketing agency, we can advocate to federal government departments and agencies what we believe will improve the situation. We believe the types of recommendations that the tourism sector at large has recommended would be a big help.

Mr. Brian Masse: Have you tabled recommendations to either minister?

I have it right here, on the paperwork burden. I have recommendations from a department on what to do with paperwork. Has your department tabled specific recommendations to either of those ministers on what to do?

Ms. Michele McKenzie: We have had that discussion with our minister, Minister Bernier. The Tourism Industry Association has tabled these recommendations with a number of ministers.

Mr. Brian Masse: I'm not looking at the association. I'm looking at your department; a department should have specific responses.

We're talking about a $1.7 billion problem at the very minimum. This is prior to the escalation of the Canadian dollar, as well to the heightened natural resource issue on gas pricing that further compounds this. We now have terrorism charges as well, which are getting profound attention in the United States. I'm looking to your department on whether or not in the past you tabled something to either minister on what to do specifically about this.

● (1200)

Ms. Michele McKenzie: I think that question would have to be directed to Industry Canada, to the department. As a marketing agency, we have tabled the impacts relative to marketing and we have advised the minister in that regard, but in terms of the overall policy direction, that would be for Industry Canada to lead.

Ms. Sara Filbee (Director General, Manufacturing Industries Branch, Department of Industry): We're from Industry Canada, but I can promise to get back to you on further details on that. I'm more in the manufacturing sector, and that was the basis upon which I had been invited. So I'm afraid I can't give you further details.

Mr. Brian Masse: That's fair, getting back to me.

I'm just looking for specifics, and if I have to use other means, I will. We have this as a regular occurrence. It happens in departments. They make recommendations to the minister.

Maybe I can move quickly, then, with my remaining time, to the chart that you provided here on page 6, with regard to manufacturing, import penetration from China. Interestingly, not on here—because it hasn't happened yet—are the effects of auto, which will be subsequent years coming on, as they have auto manufacturing that may potentially penetrate the North American market, depending upon some lawsuits in the United States.

In a briefing from your department, one of the slides in the deck indicated that our assembly surplus had dropped from $40 billion to $25 billion from 1991 to 2005, a $15 billion slide during that period of time.

My specific question relates to your department and manufacturing in auto. Have you done calculations on the effect of the Korea deal that is currently being negotiated and the effects of auto manufacturing, and what are the results of that analysis?

Ms. Sara Filbee: It's obviously a very good question, but one that really the folks from International Trade Canada are better positioned to answer.

Mr. Brian Masse: I understand your department has done a study. Is that not correct?

Ms. Sara Filbee: We may have. I can certainly talk to my colleague in the area of autos. I haven't seen it personally, but I can certainly look, and if we're able to share it, I'll be pleased to do so.

Mr. Brian Masse: Do I still have time, Mr. Chair?

The Chair: You have 40 seconds.

Mr. Brian Masse: Thanks.

I just find this very frustrating.

Maybe I'll go to Mr. Green.

One of the suggestions that have been discussed by workers is having some type of tax abatement system for the ability to travel to other destinations to work—for example, plane tickets to return to visit family. So if you are working in one region of the country for a short period of time, you are able to have some deductions to do so, which would offset some of the costs that are associated.

Other business travel receives that. In fact, you can even claim everything from entertainment to sports and leisure. But if you're a person who works in a field where you want to travel to, say, Alberta, but you're from the east coast, you can't deduct any of those expenses.

Has your department considered any personal deduction expenses to allow travel mobility for skilled trades?

Mr. Martin Green: We've looked at a number of things with respect to mobility of workers. There doesn't seem to be a silver bullet in terms of an incentive to get workers.

We know firms right now are doing it. There are amazing things going on with the oil sands in terms of construction workers from, I think, Newfoundland flying to the oil sands, but it's all being done at the firm level.

One of the issues is that when you get into government trying to do that kind of incentive for workers, it becomes a bit of a double-edged sword. You could say there are all these skills shortages in Alberta and you might have high unemployment in another region of the country; therefore, why are you not providing incentives for them to move? Well, some of those other regions of the country get pretty upset when there is an active encouragement to lose skilled workers they would like to maintain.

So while we have been looking at a variety of incentives, there hasn't been a real inclination to put them in place at this point, because a lot of people think it would probably be too much fettering in the labour marketplace.

The Chair: Okay. You'll have another chance, Mr. Masse.

We'll go now to Mr. McTeague.

Hon. Dan McTeague (Pickering—Scarborough East, Lib.): Thank you, Chair.

I have a few questions, perhaps first to Natural Resources.

I'm looking at the deck you provided. About the one with the windmills and hydroelectric projects, there's a discrepancy in terms of the history of fuel oil prices. You pointed to 1980 to 1984, the period of the national energy program. It would appear to me that oil prices at that time were competitively better in Canada than they were in the United States. Since that time, our price of oil or feedstock has been consistently higher than that in the United States, with the exception of the Iraq War in 1991, which I find interesting, given that we are a net exporter of oil. Could you explain a bit what hindrance this would be, regarding cheaper oil versus the United States, for Canadian manufacturing?

At that same time, could you also explain a bit about the five-year averages of natural gas, which have been very high until very recently, notwithstanding the fact that inventory levels have always been consistent and demand has been pretty stable? What impact would that have overall in manufacturing?

Could I please turn to a comment from either you or the Department of Industry on the prospect in the mid-term from BP's analyst in Europe, who suggested new findings yesterday, indicating somewhere near a $40-a-barrel situation? Are we staring down the possibility of a slowdown in the economy in western Canada, with this double whammy of a slowdown in manufacturing jobs in central Canada?

Finally, I have a comment on the WHTI. It would appear that Congressman Hostettler, who chairs the House of Representatives' subcommittee on immigration and border security, will recommend to Congressman Sensenbrenner that we move immediately on this, notwithstanding the fact that there may be an absence of a NEXUS or FAST system. What will this mean for Canada's conclusion of the security and prosperity partnership?

I realize those are pretty heady questions, but they're extremely important in terms of knowing where we're going to be in about six months from now, as it affects the manufacturing sector most indelibly.

● (1205)

Mr. Howard Brown: Let me start with the question about the $40-a-barrel oil.

I think we all realize that predicting where oil prices are going to be next month, let alone five or ten years from now, is a pretty difficult challenge. The oil companies, not just in Canada but internationally, have been pretty conservative in the kinds of price assumptions they've made in deciding to go ahead with investment decisions. Of course, on any particular project that would be proprietary information.

I think you'd find that most oil companies in Canada and abroad assume that the price is going to be $30 or $35 a barrel, so my guess would be that if in fact prices fall to $40 a barrel, it's unlikely to have a major impact on the expansion of conventional Canadian supply in western Canada.

It's in the nature of markets to overshoot on both the upside and the downside. You can even have prices going below that for a period of time, without significantly affecting investment. Where I think you'd have a problem is if prices fell well below the levels that companies are assuming and they start having cashflow impacts. But I think we're a long way from that situation.

I'm not entirely sure that I followed the question about gas and oil prices.

Hon. Dan McTeague: On your report on the national energy agency, I believe it shows under the Canadian and the U.S. tracking that since 1984-85—ironically perhaps, since it's the period in which the NEP was abandoned—oil prices have been more lucrative in the United States than in Canada, although they have followed. It would appear that prices for oil are indeed cheaper in the United States than in Canada. It's something I find rather interesting, because obviously we are concerned about the costs of inputs to manufacturing. If you look at the red and the blue graphs—the blue representing the United States, and the red representing Canada—it would appear that oil prices in Canada are indeed higher than the United States.

So the traditional arguments trotted out by the industry—taxes, lack of competitiveness, etc.—seem to be borne out in the fact that the price of oil over the past 15 to 20 years, with few exceptions, has always favoured the United States, a net importer of oil.

● (1210)

Mr. Howard Brown: I don't in any way mean to be argumentative, but I'd take something a little different away from the chart. If you look at the period up until 1984, the 1981, 1982, and 1983 prices were noticeably lower than those in the United States. The Canadian prices are shown by the red boxes below the corresponding diamond figures for the United States.

After 1984, after the national energy program was dismantled by the government of Brian Mulroney, the two track almost indistinguishably. I appreciate that they don't exactly lie on top of each other, but if you break it down to a litre, we'd be talking about differences of a cent or two. Certainly the movements are that when one goes up the other goes up, and when one goes down the other goes down. The correlation between those two time series would be exceptionally high, and that surely is exactly what you'd expect in a market-oriented system.

My inference from the data is a little bit different from yours.

Hon. Dan McTeague: My data are exactly what you supplied, sir. They demonstrate that whether it's one or two pennies, when you're dealing with billions of litres every year sold to manufacturers, Canadians are indeed paying a premium, and our manufacturers in particular do not have the competitive advantage that they should have from a nation that is supposedly self-sufficient in energy. I just wanted to point out that you have acknowledged the discrepancy. I understand that they do track each other, as they do in the rest of the world, but I find it a little ironic that this doesn't stand out as a glaring concern to your department.

The Chair: We've gone way over time.

Mr. Brown, do you want to respond to that?

Mr. Howard Brown: I'd be happy to respond if Mr. McTeague wants to ask a question.

The Chair: Okay. We'll move on, then, to Mr. Shipley.

Hon. Dan McTeague: Mr. Chair, I haven't heard from the others on WHTI.

The Chair: I'm sorry. I'm just trying to respect each member's time.

Hon. Dan McTeague: Mr. Brown asked me a question. I just want to get it clarified for him, if you don't mind.

Thank you, Mr. Chair.

The Chair: Do you want Ms. McKenzie to respond on that?

Hon. Dan McTeague: If you wouldn't mind, Mr. Chair.

The Chair: Could you be very brief, then, on a response on WHTI?

Ms. Michele McKenzie: I tabled what the tourism sector believes would be a good remedy to WHTI. As the national marketing organization, we've indicated to the minister that our position is one of increased investments to fight the competitive battle more effectively in the U.S. market. As I said, I'm not privy to the broader recommendations that Industry Canada may be making in the breadth of the broader mandate.

The Chair: Thank you.

We'll go to Mr. Shipley.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you, Mr. Chairman.

Basically I want to shift to the tourism part. It was brought up and caught my attention.

Ms. McKenzie mentioned the team has been renewed under the Canadian Tourism Commission, but you told us about all the declines, the downsides of it. You haven't talked very much about the upside and what you're actually going to do about it. You described how, over the last decade, there has been very little growth, and yet it was at a time when there was a low dollar, low fuel costs, and low interest rates.

In the presentation you talked about Canada as a dream destination, so we have a bit of a conflict here. We believe it's true—it is a dream destination; Canada is the greatest place in the world. That would be agreed on by everyone here. But we have this conflict. I wonder how you're dealing with that, because it would seem to me that some sort of business plan would have been in order, and maybe that's what has been put out.

I'm wondering what you're doing to change that around. Some time ago everything was low; now we're moving to a time when there's a higher dollar and higher fuel costs, with pretty low interest rates. We still have those issues out there. It was easier when we had the competitiveness, and now we don't. How are you going to counter it?

Ms. Michele McKenzie: It was easier in many ways. I presume that your question is speaking specifically to the U.S. market, because there has been strong—

Mr. Bev Shipley: It is mainly the U.S. because, as you had mentioned, most of our tourism is with the States. I forget the percentage—

Ms. Michele McKenzie: Therefore it's a huge issue for us.

You point to factors that have been weighing in our favour in the last five years, but I would add that significant factors have also weighed against us. The events of 9/11 had a dampening effect on outbound U.S. travel generally, and the effects of the SARS crisis in 2003 profoundly affected tourism demand from the U.S. into Canada. In fact, if you take the meetings and convention sectors specifically, Canada won very few bids for U.S. association meeting business coming into Canada in the year 2003. That is starting to impact us this year, in 2006, and will impact us for another five years, because bids are won for business that is three to eight years out in the future. So we are seeing some lingering impact of world events that happened in the U.S. still affecting Canada.

Other structural issues have happened in the U.S. market. The introduction of low-cost carriers can make it cheaper to fly from New York to L.A. than to drive from New York to Toronto. Those were never the types of competitive factors we faced in the past.

We do indeed have a strategy. We have a tourism development strategy; we have a tourism marketing strategy. Our overall position has been that we are underinvested relative to our competitors to fight this battle.

● (1215)

Mr. Bev Shipley: Actually, I look at that graph on page 8 that shows the growth that's happened—and it goes back to 1990—and actually it's fairly stagnant. So all those things you talked about, we're in a time now when we still have those issues.

You brought up the issue of SARS and 9/11, and I'm wondering what strategies you've put in place to deal with those. What amendments have you make to your plan? Even in this last week, we've had arrests around the issue of terrorism in Toronto. I'm wondering what you're doing to counter that, in terms of Canada being a safe place.

The Prime Minister and Minister Day have met with people in the United States and other places about Canada being safe, and obviously that has turned out to be true. How are you marketing Canada as a friendly place, so we can not decline, but work with our dollar?

I know what you're saying in terms of the dollars. It may be underfunded. I guess it's always as important to know how the dollars are handled at the bottom as it is to know how many dollars are going in at the top.

Ms. Michele McKenzie: Absolutely. I'll just talk about the strategy in a broad sense, and I'd be happy to provide you with a copy of the detailed strategy.

Generally, the shift that has been made over the last few years to address this issue has been to shift investment to markets where we're getting better returns. Those markets have been Boston, New York, and Los Angeles. So there is less investment in the border regions, where we have not been getting the returns, and more focus on going where the messages seem to resonate more strongly and people come and spend more money.

There is that, plus there's the fact that we've shifted from a mass advertising approach to much more of a media and public relations approach in the U.S., so we get our messages out much more clearly.

Those are the two features in terms of what we've changed in marketing, and I'd be happy to provide you with the detailed plan.

Mr. Bev Shipley: I think my time is up.

The Chair: Thank you, Mr. Shipley.

Mr. Vincent.

[*Translation*]

Mr. Robert Vincent (Shefford, BQ): I also want to thank you for being here today.

I'm going to continue in the same vein as Mr. Crête. What is the impact of 1¢ to 10¢ increase in the value of the dollar?

We have to understand three things: the increase in the dollar, the ensuing rise in interest rates and the increase in the price of gasoline. What impact does each increase, even a small one, have on the manufacturing industry? Are you aware of those figures?

Ms. Renée St-Jacques: It's important to bear in mind that a number of variables are interrelated. When the dollar rises, interest rates don't necessarily increase, contrary to what you said earlier. That's not a hard and fast rule. So it's important not to engage in too much speculation or projection.

Models show that these adjustments can generally take two years, whether it's a change in the exchange rate or a change in input prices.

● (1220)

Mr. Robert Vincent: I understand, but, not so long ago, the value of the dollar rose sharply. We expect—

Ms. Renée St-Jacques: It's increased another 5 per cent in the last six months.

Pardon me, I interrupted you.

Mr. Robert Vincent: Go ahead.

Ms. Renée St-Jacques: It rose another 5%, but that's nothing compared to what happened in the past two years, when the changes were even more significant. The Canadian dollar has risen approximately 35% in total since early 2003.

Mr. Robert Vincent: Ten cents is already a lot. Industries have closed their doors when the dollar rose from 80¢ to 90¢. If there are further increases, other industries will close theirs. Do you have a study on the impact of each one-cent increase in the dollar on plant and other closings?

Ms. Renée St-Jacques: We largely rely on studies that have been conducted by specialists in the field, but we don't do this kind of study ourselves.

Mr. Robert Vincent: Don't you inform the Minister of Industry that, every time there's an increase in the dollar, there's an increase in the price of gas, and that an increase in interest rates would be catastrophic for the manufacturing industry? Are you aware of that state of affairs?

Ms. Renée St-Jacques: Absolutely.

Mr. Robert Vincent: Do we have any studies? Are people aware of the situation? There's currently nothing making us aware of the impact of these increases.

Mr. Robert Lamy: One model can show the impact of an increase in the dollar on the manufacturing sector, and another can show a different impact. It's not our role to build models or to assess the impact of a one-cent increase on the manufacturing sector.

As Ms. St-Jacques mentioned a little earlier, the Bank of Canada makes studies that can answer your question available to the public. The fact remains, however, that, as a result of its complexity, it is extremely difficult to measure the impact of an increase in the dollar or in energy prices on the manufacturing sector. It's not up to us to make an estimate or a final evaluation, which is much too complex a task.

Mr. Robert Vincent: You have enough information to understand the impact of these increases. The price of gas has jumped 30¢, the dollar is climbing from 80¢ to 90¢ and interest rates have risen 0.5% in the past six or seven weeks... You definitely have indicators that, if there is an increase, such and such a thing will occur. You already have those indicators, because you've experienced it. I understand that it's not up to your department to make that decision or to transpose these charts.

We've previously witnessed plant closings and other repercussions of an increase in the dollar, rising interest rates or higher gas prices. I believe it's up to Industry Canada to tell the minister that, if such and such a thing occurs again, the matter will have to be seriously examined.

Mr. Robert Lamy: What we can say with more certainty is that the value of the dollar rose roughly 19% from December 2002 to December 2003, approximately 8% from December 2003 to December 2004, some 5% between December 2004 and December 2005 and approximately 5% since the start of the year. We can say that many of the adjustments to the higher dollar have already been made. That doesn't mean there won't be others, but simply that the adjustments that remain to be made will be less significant than those two or three years ago.

Mr. Robert Vincent: Are you going to tell the minister that, despite all the information we have, we have to find solutions? What do we do to help these businesses? In view of the data you have and of past increases, what potential solutions will you suggest to the minister? What solutions can save these companies?

[*English*]

The Chair: We're over time.

[*Translation*]

Ms. Renée St-Jacques: As my colleague Cliff said a little earlier, during the 1990s, it was essentially the manufacturing sector and net exports that drove all of the country's growth. We now have more balanced growth, which isn't necessarily a bad thing. I'm not saying it's a good thing to lose jobs, but I believe we have to look at matters over the medium term.

Our experience in Quebec and Canada is not that different from what is happening in the OECD countries as a whole. Employment in the manufacturing sector is tending downward, and production as a percentage of gross domestic product is also tending to decline in those countries as a whole. That doesn't mean that the government should intervene immediately.

● (1225)

[*English*]

The Chair: Thank you.

We'll go to Mr. Van Kesteren for five minutes.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Mr. Chair.

Thank you, everybody, for coming this morning and for going on into the afternoon.

I have a quick question to you, Mr. Brown.

I'm just curious about the statistics on the history of fuel prices. What happened in Sweden in 1993, where I see a dramatic decrease? Did they do something? Did they drop taxes?

Mr. Howard Brown: I have to confess that I don't know the answer to that. I'm looking at my technical experts, and they're busy looking at the floor, so I suspect they don't know either.

Some hon. members: Oh, oh!

Mr. Howard Brown: There was a banking crisis in Scandinavia, I think, in the early nineties. There may have been a precipitous exchange rate move or something at the time, but that's speculation on my part.

Mr. Dave Van Kesteren: We very much appreciated, when we heard about the fuel prices.... I think that our government is doing a fine job in monitoring those. It's just good to know, if there are spikes anywhere, just what happened.

I've seen some amazing things from the report on Canada's manufacturing sector. Maybe somebody can just elaborate on this: import penetration from China is rising, yet the overall manufacturing sector has been the same from 1995 to 2005. That statistic just astounds me. You hear that the sky is falling, yet there seems to be something that's—

Ms. Renée St-Jacques: The story in the manufacturing sector is not an even one. As I was saying in my opening statement, overall output has been increasing in the sector, but it hasn't been increasing across the board or in some subsectors. Those are covered mostly in the chart on page 6, telling us that China is displacing Canadian producers in the Canadian market in textiles, clothing, leather, computers, etc. That's what this chart tells you. But when you look at the bar at the end, it tells you, okay, in the overall manufacturing sector there is no increased import penetration, meaning that the manufacturing sector overall is holding its own fairly well in the domestic market. That's the way I read this chart.

Do you have something to add?

Ms. Sara Filbee: I'll just add to that.

I think the difficulty is that there are a number of different factors going on here. I look at it from the perspective of overall manufacturing competitiveness. What we're seeing is actually a transformation of the manufacturing sector. We've had these discussions with the CME, with whom we work very closely, in looking at the issues in follow-up to the CME's Manufacturing 20/20. I hesitate to use the word “definition”, but one way we now have of referring to the manufacturing sector is to refer to processes that create and deliver value by way of tangible goods. There are companies that consider themselves to be in the manufacturing world but may not touch a physical good, yet are very active in terms of the design, the logistics, and other aspects of the manufacturing process overall.

What that means is that it has a lot of implications for the types of skills needed, which we've already talked about. The other thing it means, as you've noted—and I believe David Dodge also made this point—is that it's from individual sector to individual sector. It's not a monolithic sector. We really have to boil it down and look at what happens at sector by sector, at the same time as people making recommendations with respect to policy need to consider the big factors here—and obviously one of those is skills.

● (1230)

Mr. Dave Van Kesteren: Another surprise, of course, is the profit margin. We're staying profitable.

The point I'm making is that there is some real good news when we talk about the economy, even in the manufacturing sector. There are some areas of concern, but we're seeing a shift. The end result in all is that the rising dollar, although we look at it in negative terms, is a good thing. So we're seeing some areas of concern, but the overall picture is that the economy and that segment of the economy look very healthy.

Is that correct?

Ms. Renée St-Jacques: If I may, living standards basically increase for three reasons: you boost productivity, you work more and have more employment, or you have an increase in the price of the goods you sell to the world compared with the price of the goods they sell to you. Basically we've had all three working for us over the last three years. Overall, that's been good for the Canadian economy, and it shows in the numbers—increased employment and increased GDP.

So I would say you're absolutely right in your assessment. That doesn't deny the fact that this has a required adjustment elsewhere in the economy.

Mr. Dave Van Kesteren: I have one more question, just quickly, on tourism. I'm thinking of the Americans; we've lost a segment there. Americans, if you just look at their lifestyle, like to be amongst themselves. I would suggest they have visited Canada because we are very much like them.

Have we moved away from that, and can we or are we, in tourism, possibly looking at areas where we can show them that we've very much the same? Is that maybe some of the advertising that we're going to portray?

Ms. Michele McKenzie: Our most recent research suggests that the fact that we're very much the same as them has at certain times been a very compelling reason to travel to Canada. Now it's becoming much less compelling—in fact, of no particular interest. The fact that we're like them is giving them much more of a “so what” attitude, “Why would I want to come there, then? If you're not less expensive than we are, and I'm just going to get the same thing as I can get here, why would I go to Canada?” That's been the focus of our marketing: to give them the reasons to come to Canada.

The Chair: Thanks, Mr. Van Kesteren.

We'll go to Mr. Masse now, for five minutes.

Mr. Brian Masse: Thank you, Mr. Chair.

I'll follow up with chart 6 here, with regard to Chinese import penetration.

Has there been any analysis of the difference between Chinese wages and Canadian wages, Chinese benefits and Canadian benefits, and also of oil and other manufacturing costs, and last, of post-end material disposal being an environmental concern? Has there been an evaluation of how a Canadian company has to compete, in the face of the differentials in these, against a Chinese company?

Ms. Renée St-Jacques: Not that I'm aware of in our group. But we can look into it and see what might be available and come back to you, if you want.

Mr. Brian Masse: Okay.

The reason I'm asking this is that if we look at the chart here—say, for example, in terms of oil prices and what not—obviously it's a competitive advantage to have a lower-cost source of those types of resources, and similarly of manufacturing processes if there can be outright subsidies. My concern going forward is whether later on with autos—there are a number of production vehicles slated to potentially arrive in Canada in the next number of years—there is going to be fair competition between the two countries.

Can I at least record that question to the department to find out first whether it's been done in the past for the manufacturing challenges we have now in the industries that are lagging behind Chinese competitors, and second, whether there will be one done for auto?

Ms. McKenzie, what specific things did the cut in your budget pull back from your department? You noted that you're concentrated more on farther markets such as New York than on border markets, which gives me concern, because we're having issues—in Ontario, for example—with cultural changes to a smoke-free environment, WHTI, passport issues, and a whole series of things that are very similar. We have a lot of economic benefit going to the rest of the country, but I don't see any help with promoting return visits. What specifically have you lost?

● (1235)

Ms. Michele McKenzie: We really see the U.S. market as three distinct markets. There's a drive market that's within driving distance of the border; there's a mid-haul market that will fly or drive, but mostly fly; and there's a long-haul market that will fly to Canada. The fly market coming out of the south of the U.S. is in very good shape; in fact, it experienced some growth last year. The mid-haul market was a bit flat, and the drive market, closest to the border, is where we're experiencing the greatest decline—especially the same day. The same-day numbers are quite bad, as you would know.

We've tried a number of different strategies to address the drive market from a pure marketing point of view, and we have found that even working with a broad number of partners we have not been able to penetrate that market. We compete with different competitors in that market. In the drive market for the U.S., we're competing against domestic U.S. destinations. As we get further away, we're competing with other international destinations.

Competing with domestic U.S. has become fiercer for us. There's been a lot of investment in the U.S. in improvement to cities. They're finding alternatives within the U.S. that they used to come to Canada for. They were very aware of the difference in exchange. Besides that, there's the fact that they don't hold passports at the same rate as people further away and are confused about what's happening at the border.

Mr. Brian Masse: Those are some important points.

Let me move to address a question to Mr. Brown. Mr. McTeague raised an interesting point. Maybe you can clarify another observation and the reasons for it.

Let's go to the page on the history of natural gas prices. Unlike the case with oil, Canada has enjoyed a lower price, and industries have enjoyed a lower price than their U.S. counterparts. Why would they be inverse with respect to this issue, given that Canada has an abundance of natural gas and oil, whereas the United States is enjoying lower prices? I think it's an important issue, because even a few cents makes a difference. You just have to talk to manufacturers, especially over the long term. Why is it we're enjoying a lower natural gas price, but we're not getting that advantage in fuel oil end prices?

Mr. Howard Brown: There are two things. I'll just make a general comment about the data series and what we're actually measuring here.

These are compilations by the International Energy Agency of data from national statistical sources. All those data series will have measurement errors around them, just as polling numbers have errors around them. So it is not the price of a particular transaction; it is confidence in the polling around it. Moreover, there may be differences in the procedures that statistical agencies use. What day of the week do we measure on? Do we measure every day of the month, or are we taking only the end of the month? You would expect, even in jurisdictions where prices are in fact identical, that the series would not be precisely identical. You have to ask whether they are statistically different.

Mr. Brian Masse: I'd like you to answer the question. With all due respect, you spent your time giving qualifiers to the information you presented to this hearing today, so why even present it?

Mr. Howard Brown: I think there is information in the data. All I'm suggesting is, you have to treat it, as you do with any economic time series, with a little bit of caution.

The second point is that these data of course include taxes. So you may see differences between countries as a result of tax differences, rather than as a result of a price that's being received by the supplier of the product.

I think the answer to your specific questions—why were natural gas prices historically lower in Canada, and why have they kind of converged?—is that there were supply constraints in our capacity to ship natural gas into the markets in the United States.

The other point here is—and this goes back to the statistical question, and I think this is very important—that they're measured in different places. One would be Henry Hub in the southern United States. The other would be the Alberta Hub in Edmonton. It would be quite natural for there to be a difference between those, reflecting transportation costs.

The Chair: Thank you, Mr. Brown.

Thank you, Mr. Masse.

We'll go to Monsieur Lapierre.

[*Translation*]

Hon. Jean Lapierre (Outremont, Lib.): Thank you, Mr. Chairman.

I'd like to speak more particularly to the people from the Department of Human Resources and Social Development. I know that, for a number of years, you've been a pocket of resistance to the program for older worker adjustment. All the ministers who have arrived in the department have wanted to do something, but, after hearing you, they change their minds because there were apparently passive measures.

Mr. Crête cited some statistics earlier. He said that 71,000 jobs had been lost last year. According to the Canadian Exporters Association and according to the documents I have here, approximately 100,000 additional jobs were lost in the textile, clothing, leather and furniture industries. I don't get the impression these are people who have post-secondary diplomas. I don't know a lot of 59-year-old seamstresses who work on a two-needle overlock machine who have a post-secondary diploma.

What are we doing for those people, who are ultimately the victims of the dollar and the price of oil?

We're currently refusing to take measures like those we've had in the past, that is to say the Program for Older Worker Adjustment (POWA), which worked well. These people are victims. They lose their jobs, they receive employment insurance for a few weeks and then they're forced to sell everything they own. They're 58 or 59 years old, and the only way for them to receive welfare benefits is to sell what they own, thus losing their dignity.

How can we accept this situation? These are statistics, but ultimately there's a human drama and a host of solitudes behind every figure. What can we do for the least adaptable people who come from the soft and difficult sectors? I've never seen a seamstress working at IBM. What are we doing for these people?

● (1240)

Mr. Éric Parisien: Mr. Lapierre, I can try to give you a partial answer. The department has conducted a number of pilot projects, and many studies have been done. You're right to say that there are unemployed workers in the softest sectors of the economy.

However, it should also be noted that the sectoral councils program has definitely put sectoral councils in place in the textile and clothing industries. Those councils have stopped the bleeding so that employees can have access to technical training, basic training, so that they at least have transferrable essential skills in their industry.

There have been losses in the clothing industry. They're declining now, but the remaining sectors and businesses will be looking for much more advanced and profitable markets, as a result of which employees have a better chance of staying in that field.

As for the textile industry, Canada went looking for more active and upper end sectors. Jobs in the textile industry are very well paid. The employment floor and ceiling have remained stable in Canada: approximately 50,000 jobs.

Hon. Jean Lapierre: I'm not satisfied at all. These are the same answers we've always heard. In the meantime, 71,000 jobs have been lost. Investors and the manufacturers themselves have told us that, according to their forecasts, there will be another 100,000.

You can't make me believe that the women who work on Chabanel Street have gone into the high tech sector. I don't believe that. Take a little walk in that area. Sincerely, I don't believe that the people who work in the textile and furniture industries have been able to get jobs elsewhere.

You can talk about your labour mobility programs. However, mobility has its limits for a Francophone. So why, for a number of years now, have you been resisting the idea of creating an assistance program for those who have no other resources? Why are you claiming that everyone can be trained and can adjust, when that's simply false? These are people who have worked all their lives and who are losing their dignity. You can't recognize that they're paying with their dignity. That's what I can't accept.

[*English*]

Mr. Martin Green: I can only point out that under the employment insurance program some 230,000 older workers received a total of about $1.4 billion in income benefits. More than 80,000 unemployed older workers benefit from employment programs funded through the Employment Insurance Act each year. There was an older worker pilot project. The recent budget announced a feasibility study to look at measures for displaced workers. I presume that's not fast enough action, but I think in one regard you want to look at where this is happening and what real measures we can put in place.

I think you're probably right, not everybody is adaptable. Not everybody can make that transition, and there isn't a magic wand that suggests somebody who's been in the textile industry for 20 or 30 years can jump into a high-tech job, but we do have measures in place to try to help make that transition, and we're looking at what other things can be done.

● (1245)

The Chair: I am going to take the next Conservative spot, unless my Conservative colleagues object. So I have five minutes.

I want to follow up on the employment issue. One of the things you did mention in your presentation, Mr. Green, was partnerships between educational institutions and the government. You talked about the need for greater investment in skills development. The polytechnic schools across Canada are very much involved in training of all sorts for people in both manufacturing and the energy sector. The one I know best from my city is NAIT. It trains between 13% and 18% of the apprentices across Canada and is doing some outstanding work with aboriginal communities by having mobile classrooms on reserves and other areas in northern Alberta and northern Saskatchewan.

One of the things they have found difficult is trying to get the federal government to partner with them. They have the provincial government there, and I assume it's the same across the country. Is the federal government in favour of apprenticeship training? There are a lot of initiatives on incentives in the recent budget, but is your department intending to become a partner with these types of institutions to form the partnerships you yourself identified in terms of increased funding for these types of institutions?

Mr. Martin Green: Outside of the measures announced in the 2006 budget, the apprenticeship job creation tax credit, the apprenticeship incentive grant, and the tools tax deduction, a fundamental debate is going on as to what extent the federal government will be involved with colleges. The budget also announced a kind of PSE and skills training consultation with the provinces, which will probably lead to some interesting things.

That being said, we do have small programs aimed at encouraging the kinds of partnerships we're talking about, such as the workplace skills initiative, which is aimed at getting farms working with community colleges or technical colleges, with the help of the federal and provincial governments. We're on the cusp of making some recommendations with regard to some of those projects, and at this point that's about all I can say on it.

Cliff wants to add something.

Mr. Cliff Halliwell: One thing that has struck me is the tendency in Canada to think that a post-secondary education means a university education rather than a community college education. I think we have, to a degree, created a culture in this country that tends to downplay the trades as a place where there are tremendous prospects for work. I think we've created that tendency by tending to compare the average earnings of university graduates with the average earnings of community college graduates, and on average, they are higher for university graduates. We lose the enormous range of outcomes that you see when you look at specific degree programs or training programs. In our concern about the knowledge-based economy of the mid-nineties, I think we've also, in a sense, forgotten how many opportunities there are to make things with your hands, or do things with your hands.

So I think a cultural change is necessary. Although I can't cite the statistics by memory, for the obvious reasons of middle age, the number of young Canadians who think they need to go to university is vastly out of proportion with our projections of the number of jobs that, strictly speaking, will require a university education. I think we do need a cultural change, or we will potentially find ourselves with these ongoing shortages in these areas.

I might even add something with respect to the question pertaining to the Quebec workers.

[*Translation*]

Even in economics, there will always be jobs for people who haven't gone any further than high school. Sometimes I'm surprised to see that the number of jobs that simply require a high school education is increasing. However, that number may decline, since now a lot more have post-secondary diplomas.

So I believe the pressure will be on this labour market sector in the future. Unfortunately, it's too late for the older people who work in the textile industry. However, that kind of job should not be forgotten.

● (1250)

[*English*]

The Chair: We'll now go to Ms. Stronach.

Welcome to the committee, Ms. Stronach. You have five minutes for questions.

Hon. Belinda Stronach (Newmarket—Aurora, Lib.): Thank you.

Let me begin with the topic of education, which is something I'm a big proponent of. I can't understand why in this country we don't put the dialogue on education on par with health care. I think it's so important to our future well-being and quality of life. We must create a culture of lifelong learning in this country.

You've indicated that we're actually sliding backwards from a knowledge-based economy in some ways, which includes the manufacturing sector, to become more dependent again on our natural resources. I consider it a great shame and an injustice to many Canadians that we're letting these jobs disappear. We fail to have an industrial strategy that focuses on education to protect and grow the manufacturing sector and that looks at the value-added jobs.

When you look at China, it's graduating in the neighbourhood of 40% of their citizens in the engineering sciences and technologies. India is at about 20%. In Canada, we're at less than 8%. I point that out because that affects how we're going to be able to compete in this global economy.

With respect to education and skilled trades, are we doing enough?

In terms of access to post-secondary education I agree with your comments, Mr. Halliwell, on the need for a culture change, that we also include apprenticeships and skilled trades in that. That's necessary now. It's what a high school diploma used to be to secure a good job.

The previous government had put a lot of work into negotiating a labour market partnership agreement where consensus was achieved among all of the provinces on six priorities for investment, from aboriginal people to literacy to older workers to skilled trades to labour mobility, with a greater emphasis on apprenticeship programs. I say it is a great shame that this is potentially dropped and a great deal of effort over a number of years has been wasted.

So what is the next step? What are the plans to address these challenges? The provinces and the federal government, I thought, worked very well together to address these challenges. So what are the plans?

Also, what new models are we looking at to bring together not only government and university, but enterprise—I think this is where the U.S. and other nations are far ahead of us—that lead to a greater commercialization, new technologies, products, and processes? That's how we're going to compete. It's not going to be on a low dollar. It's not going to be on the backs of workers, with low wages.

I have one comment with respect to NAIT. I've also been to that institution, and they're doing outstanding work. We did put forward last time $1 billion of investment to be transferred to the provinces—which I think it's good that this government is also supporting—not only to upgrade universities, but we expanded it to colleges, because colleges are in such desperate need and have been left behind in terms of investment.

So in terms of new models for education and labour market partnership agreements, what's the plan?

Mr. Martin Green: It's a very big question.

In terms of the labour market partnership agreements, the recent budget did not have anything on them. The recent budget spoke about the federal-provincial consultations on post-secondary education and training. I can't say much more, other than that those will obviously be part of that exercise.

But you're absolutely right, there was agreement on six key areas that the governments have to work on together. Some of that work continues on a number of issues, and I think the results of these federal-provincial discussions will indicate where they go.

With respect to some of the other issues, do you want to comment, Cliff, at this juncture?

● (1255)

Mr. Cliff Halliwell: I'm inclined to agree that there has to be a lot of consultation, but it has to take place at a highly, if you will, atomistic level. That is to say there is no one grand plan, as has been detailed here. As well, there is no one manufacturing sector. The manufacturing sector is highly divergent. The economy is highly divergent. Young Canadians are quite different in their own interests and aptitudes.

My sense of it all is that when you actually look at our labour market, notwithstanding the current stresses we are under, we've been here before and we've had a lot of these pressures. I'm sure the minutes of committee meetings would reflect that these concerns are perennial.

Yet in many respects the Canadian economy and labour market are highly resilient, and a lot of these things work out. They don't always work out for the individual workers themselves who are affected by this kind of change. But we should never actually forget just how much flux and change is actually going on at any one point in time and how well we're adapting to it.

If I told you that in 1999 one in five manufacturing workers either quit or lost their job, you would be shocked. But in fact, over one in five new hires took place in that year. It's just an indication of the amount of churn that does take place in the sector.

The key challenge we actually face is making sure that people have enough skills, first of all, especially those foundational skills. In fact, my single largest concern would be not so much our level of educational attainment, but some of the literacy challenges we face in the economy. If you don't have the literacy skills, the first thing you're missing is a tool for learning, because literacy and reading skills are the most important tool for even learning new skills.

The Chair: Briefly, we have Mr. Brown and Ms. Filbee.

Mr. Howard Brown: Thank you very much, Mr. Chairman.

I just want to offer a brief comment in response to something that I thought I heard Ms. Stronach say, something to the effect that it was unfortunate we were losing high-tech jobs and falling back on natural resources. I just wanted to offer the observation that an awful lot of employment in the natural resource industries is very high-tech; it isn't lumberjacks out with an axe. Whether it's electrical engineers at Hydro-Québec or underground robot miners at uranium mines in Saskatchewan or 3-D seismic visualization labs at the oil patch in Calgary, in a lot of respects it's at the cutting edge.

They don't do a very good job at generating research and development. They do a really good job at incorporating research development that other people have done.

I just couldn't let that one go, because at Natural Resources Canada we think the resource industry is a part of the solution.

Ms. Sara Filbee: Thanks very much.

I just wanted to pick up on your comment about new models of looking at it. I can't talk on the education system, but in order for us to identify where we need to be looking in terms of the types of new skills, we obviously have to get a grounding somewhere. There's an area that we work in, technology road maps, that is very much cross-governmental, cross-agency, and very much industry centred. In fact, it's very much industry driven. We're often the catalyst for doing them, but industry is very much there. I think we've done over 20. Over 800 corporate folks have been involved, over 500 companies, and all levels of government and other stakeholders.

Very quickly, what they do is the market-driven process whereby the group will look ahead in terms of the future market demands for their sectors, types of products and so on, and then back up to identify what technologies will be needed, and then the sorts of management and workforce skills that are going to be required with respect to those technologies.

It is a very powerful tool. We get some good feedback on it. We need to do more work in terms of implementation. But I certainly think it's something you folks might want to have a look at.

The Chair: Okay. We've been asked to have that submitted, so if we could have it submitted to the committee, we would appreciate it.

We have two more members. If I can just impose a little more on your time, we'll try to be very brief. We have Monsieur Arthur and then Monsieur Crête to finish up the meeting.

Monsieur Arthur.

[*Translation*]

Mr. André Arthur (Portneuf—Jacques-Cartier, Ind.): Thank you, sir.

I was a bit stunned to hear the labour specialists console each other by saying that the job losses in the manufacturing sector would soon be recovered since people are managing to find other jobs, probably outside the manufacturing sector. It's a bit like being happy about your ship running aground because you get to have a nice rescue boat.

Currently in the industry, there are holes that can't be filled. If you talk with the people in the printing business, for example, they'll tell you that there are press operator jobs at $125,000 a year that they can't fill because the technical schools aren't meeting their needs. They can't convince young people to go into their industry. As a result, the expansion of those businesses, which are often small and medium enterprises, is slowed by their inability to find the personnel they need.

In the trucking industry, we're told that Canada is short 40,000 truckers to meet demand in the coming years. However, wages aren't rising, even though we're short 40,000 workers. The economic supply of people who might join the industry isn't there.

Does that have any relation to the fact that a monopoly is currently being established in Eastern Canada with a revenue fund that is strangely similar to that of organized crime in New York? I hope not, but it troubles me. When you're short 40,000 employees in an industry that doesn't raise wages in order to get them, it may be because there's a baseball bat behind that.

My question is this: Do we have an adjustment problem between the school systems of our provinces in general, and Quebec in particular, and the manufacturing industry? We mostly offer jobs to young men, while our school systems are increasingly oriented toward meeting the needs of female students, young women.

● (1300)

Mr. Cliff Halliwell: I just mentioned the change of culture necessary for the trades to be considered as good jobs for young Canadians. I added that that adjustment should probably be made first by students. But especially, the education system also has to be receptive to workers' needs and be more flexible. I see that employers mainly consider community colleges as the most receptive to their needs.

I believe that the manufacturing industry's document "Manufacturing 20/20" contains tables that provide a lot of information on what's lacking in education according to industry employers. These are shortcomings that must be corrected.

I see there's mainly a lack of correspondence between occupations. That's always the case in a modern economy, because you can't predict all impacts in every sector and on all occupations. However, I believe there are too many workers in some sectors and not enough in others. Having more information on job opportunities can help us, but students have to respond to that information.

[*English*]

Mr. André Arthur: But the lag between those who are in industry and those being produced as talent from the schools is longer than the time it will take to complete their education. So there is no solution.

Mr. Cliff Halliwell: There is no perfect solution, because quite often an education program will take several degrees. A few years ago, we found ourselves caught with a lot of people who were taking courses in the high-technology sectors and were expecting to work in some of the well-known firms in Ottawa. When they completed their education, they discovered the jobs weren't there.

Forecasting is never going to solve the problem. Choosing an educational pathway is a bit of a gamble for students. But I think it's important that they have forward-looking information about where the employment opportunities are arising. That's one reason that this department, for a quarter of a century, has been in the business of trying to provide that kind of information to young Canadians.

The Chair: Mr. Parisien, you wanted to add something?

[*Translation*]

Mr. Éric Parisien: In my opinion, we shouldn't underestimate the importance of being able to mobilize the private sector in order to engage young Canadians and part of the immigrant population. Nor should we underestimate their ability to have an influence on the education system.

Partnerships are possible. The sectoral councils are partnerships. In Quebec, there's a counterpart to those councils: the sectoral labour adjustment committees. More and more work is being done jointly with these two types of organizations in order precisely to match the industry's needs with what's being done in education, especially in technical education and occupational training. So there are potential solutions in this area.

● (1305)

The Chair: Thank you.

Mr. Crête.

Mr. Paul Crête: The question is for Mr. Green.

I want to talk about the feasibility study on older workers announced in the budget. Can you tell us what your main findings were? Have the clienteles been identified? How many workers aged 55 and over are there in Canada, for example? Can you give us a copy of the progress report on that effort? If you can't do that today, I would ask you to do it as soon as possible.

[*English*]

Mr. Martin Green: I'm not sure exactly of its status right now, but I'll see what information we can provide to you, as to where the —

[*Translation*]

Mr. Paul Crête: Are you aware of that feasibility study announced in the budget?

[*English*]

Mr. Martin Green: It was announced in the budget. Quite frankly, I can't tell you exactly—

[*Translation*]

Mr. Paul Crête: Is your department responsible for this file? Can you promise to check that and to send a copy of the progress report or of the order that was made, if something was contracted out, so that we can know exactly where we stand?

I'll give you a piece of information. I know a business that patented a method for determining, when 100 workers are laid off from a business, the age of each of them and the number who won't find another job. That information can be provided to you any time. Out of a group of 600 employees Whirlpool in Montmagny, 150 were over the age of 55. So when they apply to an employer, regardless of their qualifications, obviously no one will want to hire them.

I just want to get the information to see whether there's been any change, to know where we stand in this effort and what figures you have found.

[*English*]

Mr. Martin Green: Absolutely. We'll make that available to you.

The Chair: Thank you, members.

Thank you all for staying with us for an extra 10 minutes. We appreciate it very much. If there is anything further you think should be added to the committee with respect to the manufacturing sector, please forward it to me, as the chair, or to the clerk, and we will distribute that to members.

Thank you very much for being with us here today.

The meeting is adjourned.

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