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Chair

Mr. James Rajotte

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● (0900)

[*English*]

The Acting Chair (Mr. Colin Carrie (Oshawa, CPC)): I'd like to welcome everybody to Oshawa. I have the real honour of bringing the committee here to hear from some of our local leaders.

It's my real pleasure to have Bob Malcolmsen here. He is the head of our chamber of commerce. As many of you know, Oshawa is growing by leaps and bounds.

We also have a special guest. Our provincial member of Parliament, Mr. Jerry Ouellette, is attending here today as well.

I'd like to leave the floor open and have Bob make a few introductions.

Thank you very much, Bob, for being here.

Mr. Bob Malcolmsen (Chief Executive Officer, Greater Oshawa Chamber of Commerce): Good morning, ladies and gentlemen.

Welcome to the great city of Oshawa. As the mayor would say, prepare to be amazed.

It is my pleasure to welcome you to Oshawa. My name, as you know, is Bob Malcolmson. I'm the CEO of the Greater Oshawa Chamber of Commerce. As the voice of business, the chamber is growing by leaps and bounds as well. We have over 890 businesses that represent 50,000 employees in Durham region.

The chamber is pleased that the industry, science and technology committee is taking the time to examine the challenges that the Canadian manufacturing sector, and in particular the Durham region, is currently facing.

From the perspective of our membership, it is important that the government send positive signals to investors who want to do business here in Canada, and Durham region is open for business. This includes those investors who wish to invest in the manufacturing facilities in Canada.

For the Canadian manufacturing sector and their businesses, in response to the challenges they face in the global marketplace in the future, competitiveness and growth in the manufacturing sector will depend on a number of key issues, such as productivity improvements, innovation, and skills development.

Durham region and the Durham business community completed a conference that brought together senior executives and decision-makers from business, academia, labour, and government to discuss the future opportunities to spur economic development in Durham region. The Greater Oshawa Chamber of Commerce was certainly proud to be a part of the process.

While we understand the government is focussing on its key priority issues in the short term, the chamber and its members also need to look at the economy from a long-term macro perspective and begin addressing the productivity challenges we face in Canada. The government can boost productivity by putting measures in place to promote an incentive to work, save, and invest.

During your deliberations, we ask that you consider the Canadian Chamber of Commerce recommendations that were presented to the committee: create more favourable conditions for growth that is productivity led; raise the standard of living for all Canadians for years to come; and focus the government's attention on fiscal policy, Canada-U.S. relations, and, in particular, border and security issues.

I understand you're going to the Detroit-Windsor border. It is key to this area here. We hope you will certainly have a good long look at that, as well as external and internal trade barriers, the regulatory environment, a skilled and qualified workforce, infrastructure, energy, and the environment.

As I said, on behalf of the 890 businesses, my board of directors, and president, I welcome you to Oshawa. I know your stay is short. I wish it were longer, because we'd love to show you around our great city.

Thank you very much.

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): Thank you very much, Mr. Malcolmsen, and thank you for your welcome to the city.

It is wonderful to be here in Oshawa. We'd love to be here longer, but we're doing seven centres in five days. We're getting a little tired as we go along, and I suspect we'll be even more tired after we finish at about midnight tonight.

The City of Oshawa, and certainly the member for Oshawa, made sure we would visit here, as it is a major source of manufacturing for the country.

Thank you very much for the welcome.

We'll move right into the meeting at this point. For the information of the witnesses and the members, this is the 30th meeting of the Standing Committee on Industry, Science and Technology. Pursuant to Standing Order 108(2), we are studying the challenges facing the Canadian manufacturing sector.

We have with us today Mr. Malcolmson, obviously, who just spoke. We also have David Paterson, vice-president of corporate and environmental affairs for General Motors of Canada. We also have, from the City of Oshawa, His Worship John Gray, the mayor. We are also expecting Dr. Rosen, who we will add in when he arrives.

At this point, perhaps we'll start with Mr. Paterson, with up to a five-minute opening statement. We'll then go to Mr. Gray, and then we'll go to questions and comments from the members.

Welcome, Mr. Paterson.

Mr. David Paterson (Vice-President, Corporate and Environmental Affairs, General Motors of Canada Ltd.): Thank you very much.

Let me add my welcome, on behalf of Team Oshawa here. We're really pleased that the committee is focusing on challenges that are facing the manufacturing sector, because it really is so important.

I will of course speak to you from the perspective of a large automotive manufacturer in saying a couple of things. We really do need to adopt a far greater sense of urgency and to start focusing more consistently on some of the key things we can influence in Canada, particularly at the federal level, to ensure the viability of our manufacturing sector.

My message today to the committee is really three things: first, that our priorities, we feel from the manufacturing perspective, need to ensure that our investment and tax environment is competitive with that of other jurisdictions that are trying to win our major investments that come into Canada; second, to ensure that we maintain harmonized regulations with the United States; and third, that we ensure that any new trade agreements with nations that import automotive goods into Canada are fair and genuinely reciprocal, so that we can sell our goods to them too.

We've provided you with a handout, and as that handout indicates, GM Canada's investments have a fairly significant impact on the economies of Ontario and Quebec. Federal government policy in turn has a profound influence on GM's decisions as to where, when, and how we make future investments.

Let me start with the auto investment programs, as these are often at the core of many jurisdictions' manufacturing strategies.

The auto partnership funds of the federal and Ontario governments have been absolutely critical in helping us win pivotal assembly investments competing against other jurisdictions, and despite major challenges such as the Canadian dollar that have driven up our local costs.

At General Motors Canada we responded by making the largest investments in Canadian automotive history—over $3 billion announced in the last two years—including: new product mandates; plant modernization; new environmental technologies; a new auto innovation network linking General Motors' engineering capability, which is unique here in Oshawa, and Canadian suppliers and eight Canadian universities, four in Quebec and four in the rest of Canada. It will all be centred right here in Oshawa at the UOIT. I think Marc Rosen may mention that when he speaks as well.

We've celebrated those massive investments on the run, but at the same time—and this is highlighted by the Canadian Automotive Partnership Council, whose report *A Call for Action* I would also recommend to the committee—there are several policy areas that require urgent attention in the manufacturing area if we're to continue winning new investments for the future.

As you see in the most recent CAPC scorecard, which is in the package, these need to address border and energy infrastructure, tax measures to enhance innovation and productivity, and the need to attract young people into our sector.

But the one area that is truly flashing red is the need to maintain regulatory harmonization with the United States, and that is my key second point to you. Regulatory harmonization has been fundamental in its importance to the auto sector since the auto pact of 1965, because it has enabled us to integrate the design, development, testing, certification, sourcing, and manufacturing of automobiles right across North America, including the 10% of the automotive market in North America that's represented by Canada.

But now we're waking up to discover that our Canadian auto-related standards and regulations are starting to become increasingly unaligned. Despite the objectives of the security and prosperity partnership, which has been supported by our Prime Minister and the presidents of Mexico and the United States, we are starting to see certain evidence of decoupling in key areas of our regulations, such as those for safety emissions and fuel economy, and as a result we risk no longer being able to design consistent vehicles, parts, or systems for North American markets. That affects each one of those suppliers you see on the map that is included in our submission. As a result, costs skyrocket, and we lose economies of scale that have benefited Canada since 1965. It's profound, if we start moving in that direction.

The automobile is certainly one of the most regulated products in the world; that's a reality of our business. In North America we have no problem with strong federal, national standards and regulations, as long as they're harmonized so that we can tackle them right across our integrated system.

● (0905)

The third priority area is trade policy. First, there is no industry more interested than the auto sector in reduction of trade barriers and tariffs around the world. We're a global industry and we're a global company. We would love to find more export markets for our top-quality products that are made right here in Oshawa. We would love to fill up some of those massive boats that pull into Vancouver, bringing product into North America, with product that's made here. However, countries that constantly create non-tariff barriers to auto imports or artificially manipulate their currency to create unfair trading advantage simply do not deserve to have enhanced access to our Canadian market.

Let me finish by saying that Canada has decided to make its trade policy priority at the moment the negotiation of an agreement with South Korea, a country that uses non-tariff barriers to sustain the lowest percentage of auto imports of any OECD country. Less than 3% of all their vehicles are imported into Korea versus 40%, the OECD average.

Put simply, we should not be considering the reduction of Canadian tariffs unless Korea can first demonstrate that it has reversed its past practices and will now deliver meaningful reciprocal access to our products, and that it will accept meaningful penalties if its historic protectionist practices do persist.

There are many other areas I'd love to address, but I will recommend in summary that the committee focus on the need for action to ensure that we have a competitive investment and tax environment in Canada; that we have national auto regulations harmonized with the United States, so that we can continue to benefit from the economies of scale; and that we insist on a trade policy that seeks fair as well as free trade.

Thank you.

The Chair: Thank you very much, Mr. Paterson. That was a very concise opening statement.

We'll go now to Mr. Gray for a five-minute opening statement.

● (0910)

Mr. John Gray (Mayor, City of Oshawa): Thank you very much, and welcome to our city. I admire you for your deliberations going across Canada.

On behalf of the City of Oshawa council I'd like to thank you for inviting me here today to provide some insights into Oshawa's manufacturing sector.

The manufacturing sector is vital not only to the Oshawa community but to all of Durham region. Before I expand on the great importance that manufacturing plays in our community, I will first provide an economic overview of the city of Oshawa with some highlights of Durham region.

The Oshawa census metropolitan area, containing Oshawa, Whitby, and Clarington, is the fastest-growing CMA in Canada, according to Statistics Canada. Oshawa leads Canada in GDP growth, and the Conference Board of Canada predicts that Oshawa will lead Canada in economic growth through to 2010. GM's Oshawa facilities are the largest in North America and create a significant demand for feeder industries. In Durham region hundreds of businesses are directly related to the automotive sector. Recently, Pival International, a logistics firm from Quebec, broke ground for their new Oshawa Logistics Centre, representing an investment of over $40 million and 250 jobs in Oshawa.

Oshawa has a workforce of 83,000 people, with over half of our workforce trained at the community college or university level. Oshawa is home to two post-secondary institutions, Durham College and UOIT, and to a Trent University satellite campus. UOIT has established a reputation for leading-edge research and development and has created strategic industry partnerships that benefit the local and Canadian economies. Adult training, apprenticeship, and customized corporate training programs are offered through Durham College.

Some of Oshawa's recent economic projects and initiatives include the brownfields renaissance community improvement plan, the downtown Oshawa action plan, and the Beacon project. In addition, Oshawa has been identified as a priority urban centre in the province's “Places to Grow” document.

Manufacturing is a vital component of our local economy. Over 51,000 jobs in close to 800 manufacturing businesses are in Durham region. Every dollar of manufacturing output is estimated to provide more than three dollars in economic activity. In Durham region, manufacturing sectors are interdependent. The strongest two sectors, energy and automotive, are intertwined, as are the subsectors, plastics and metals machinery. In fact, 32% of Ontario's power is produced right here in Durham region at Ontario Power Generation's two nuclear plants, located in Clarington and in Pickering.

I want to emphasize that we are a team here in Durham. Durham region, the local municipal governments, and our manufacturing partners are committed to working together to support the local economy. One example is the region's elimination of the large industrial tax class effective 2007. This is to level the playing field against other Ontario jurisdictions in order to help our manufacturers compete. In October of this year, the region of Durham hosted an economic summit that brought together over 100 business leaders to discuss challenges facing the Durham business community.

One of the challenges identified by our manufacturing community today is increased global competition. Our companies are facing significant competition from low-cost, high-value jurisdictions such as China and India. We need to focus on trade agreements that provide effective market access and look at where the opportunities lie in these emerging economies. R and D needs to be elevated significantly on the national agenda and we need to focus resources on R and D in our manufacturing sectors to allow them to lead.

Recommendation: create trade agreements that provide effective market access with other jurisdictions; support increased funding for research and development within the manufacturing sector in order to help companies compete globally.

Number two is rising energy costs. Durham is an energy cluster. It's one of the most well-positioned jurisdictions in Canada and is actively pursuing these solutions in a coordinated, systematic way. Government, businesses, and the university have joined forces to create the Durham Strategic Energy Alliance in order to develop energy production and reduction solutions for today's business, but our challenge is that we need resources to develop these partnerships so that solutions can be supported and accelerated.

Recommendation: create a national energy strategy that supports a competitive business environment, provides resources to support solutions for energy research and development, and creates a framework that ensures stabilization of energy prices for manufacturing; provide incentives to support and enhance energy efficiency targets.

The third item is the skilled labour shortage. Skilled labour shortages pose a significant threat to local businesses. Looming baby boomer retirements will take significant numbers of highly skilled workers at all levels out of the workforce in the next five to ten years.

● (0915)

Our recommendation is to place more emphasis on continued upgrading and provision of skills, including increased funding for apprenticeships. Provide incentives to small and medium-sized businesses in order to enhance training opportunities that address skill shortages.

Fourth is regulations and financial incentives. Industry needs an environment that supports industry competitiveness and it needs the ability to operate in a fair environment. Our recommendation is to create a national incentive program that allows municipalities to compete effectively with foreign jurisdictions in attracting new investment.

Fifth is a rising Canadian dollar. Manufacturing is a vital component of our local economy. Over 50,000 jobs in Durham region are directly attributed to manufacturing. This sector, particularly, has seen high exposure to international trade. Goods produced by the manufacturing sector are often priced in U.S. dollars, and as the Canadian dollar has risen, margins and competitive capabilities have decreased significantly. Our recommendation is that interest rate policies need to be adjusted in order to reduce the upward pressure on the Canadian dollar.

In summary, the manufacturing sector is vital to our local economy. Although we will continue to work together as a team to support the manufacturing community, we require the assistance of the provincial and federal governments to help overcome the bigger picture challenges that we face.

Thank you.

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

We also have with us, who just joined us, Dr. Marc Rosen—welcome, Dr. Rosen—professor and dean, from the University of Ontario Institute of Technology, Faculty of Engineering and Applied Science.

I hate to put you on the spot, but we are at the opening statements, and we've had the other three gentlemen present to us. So if you're ready, can you present your five-minute opening statement?

Dr. Marc Rosen (Professor & Dean, Faculty of Engineering and Applied Science, University of Ontario Institute of Technology): I'm ready. Thank you very much. Sorry for running a bit late.

I want to talk about three things. I want to tell you a little bit about where I'm speaking from, the background, the challenges that we see from an academic setting at the university level, and then talk about some recommendations relative to the academic perspective. Our take might be somewhat different from some of the others you've heard.

I am, as was mentioned, the dean of engineering and applied science at the new University of Ontario Institute of Technology, only open since 2003, in Oshawa. We have 4,300 students in undergraduate and graduate programs. We're market-driven. We're trying to make sure that we address real needs when we open programs. It's an opportunity we have and we're looking to address the major challenges facing the country. Some examples of how we've done that is focusing on manufacturing, the automotive sector, and energy.

Some of our unique features include the following. For instance, we have Ontario's only manufacturing engineering program, one of three in Canada at the undergraduate level—the other two are out west—despite the fact that manufacturing, of course, is so important to Ontario's economy. We have planned a $70 million or so automotive centre of excellence in conjunction with the Ontario government and General Motors of Canada. That's a very interesting venture. We are trying to bring together industrial problems and put academic research and educational needs together so as to help solve problems, particularly down the road. We have a chair in innovative engineering design aimed at the design aspects—how you create new things that are so important to advancing manufacturing.

On some of the challenges that we face, we have trouble getting students entering manufacturing engineering—plain and simple. It has a bad reputation, and that really threatens the future workforce. It's viewed image-wise as either dirty, dull, depressing, or in decline—the Ds you often hear mentioned. And that's a really severe problem, because if students don't want to enter the field, there's going to be no one to work down the road. Certainly competitiveness factors are one of the things that scare students away. The problems you hear of in the automotive sector scare students from manufacturing. The plastics sector is really not spoken of well in Canada at all, as another example. We also have trouble retaining students. They hear things about off-shoring of jobs and that there will be no jobs left, and they scoot to another program very quickly.

Lack of competitiveness and productivity due to inadequate investment in the higher technologies, the advanced technologies, is another area I want to mention that's a challenge. We're in trouble if we try to compete with countries that have low wages. The one advantage we have is a very strong advanced technology sector. We need research to always keep us at the leading edge. If we fall behind, we're fighting a losing battle. The advanced technology is what keeps us in the game, from my perspective. There's a bit of a problem with a lack of holistic thinking. We're dealing with automotive sector, manufacturing, and energy. Those really come together in some ways. Energy problems hurt manufacturing. Manufacturing drives the automotive sector. Energy feeds into the automotive sector. Some of the problems we face actually aren't as isolated as just manufacturing.

On the recommendation side, we need help overcoming the poor image. If we're to attract students, both industry and government have to do it. There has to be a message that it's more important to the economy than is presently felt. Some support for educational programs focused on manufacturing would be very important, both provincial and federal, because some incentives to get students into these programs can attract.

With respect to investment in R and D, we need more research in the advanced manufacturing technologies. It's critical, as I mentioned earlier, in my view for us to stay competitive. We can't compete with technology. One example I put forward is to create university-industry partnership centres like what we're doing with General Motors, where we have an automotive centre of excellence that's intended to have two views. If the academics look in, they see a research centre beyond compare, beyond their wildest dreams, where they can really create new ideas and technologies. When industry looks in from the other view, they see a world-class industrial test and development facility right up to the standards they seek. It's something that we're developing now. It will be open in a couple of years. It's meant to be a different way of academic and industry sectors working together.

● (0920)

That ends my opening statement. Thank you.

The Chair: Thank you very much, Dr. Rosen.

We will go into questions from members.

For the information of witnesses, the opening round will be six minutes each, so members have six minutes for their questions and your answers. If we can try to be as brief as possible, that would be helpful.

The second thing is members may direct a question to the entire panel or to one witness. If a member directs it to one witness and you wish to add something, please indicate it to me and I will certainly ensure that you speak.

We'll start now with Mr. McTeague, for six minutes.

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

Thank you, Mr. Carrie, for getting the committee here. I think it's extremely important.

I turned on my radio one morning about a month and a half ago—maybe not quite that long ago, but just before the municipal campaign started—and heard some interesting news from the Conference Board of Canada. Congratulations, Mayor Gray, and to the entire Durham region. I think it speaks well for the work that has been done so far by getting governments, organizations, and business to work together. Congratulations also to you, Mr. Malcolmson, in your ability, as it were, to rein all the varying, disparate horses together to make this community a much stronger place.

As you know, I'm from Pickering, and we can only envy the kind of growth that you're seeing, but given that every blade of grass is precious in Pickering, we have no growth. Hopefully that will change in the days to come, and we'll be able to resolve those problems. I'm speaking for myself, of course.

Mr. Paterson, you discussed the issue of regulatory harmony with the United States. Is there the risk of re-importation problems, if you have identical standards? In other words, from a retail perspective—I'm putting on my former cap as someone who marketed for one of the companies—if the standards are identical and there is a cost advantage to building a car in Canada, or parts of it in Canada, and sending it to the United States, it could be sold from an American dealer back into Canada. Is there any risk that might also harm the business side of marketing various car companies?

Mr. David Paterson: Currently there is an ability to import vehicles directly into Canada beyond the regular Canadian dealership network. In fact there is a government-supported website, which I was looking at yesterday, where they partner with Canadian Tire, which does the vehicle inspection for any vehicle that you want to source out of the United States and bring into Canada.

It is always a concern. We would like to see all vehicles sold through our dealer networks. Our biggest concern is that if our regulations get out of sync, we will no longer able to sell or produce certain types of vehicles in Canada, because our regulations become difficult. A reality is that our market here in Canada is only 10% of the overall North American marketplace. So if we end up with disharmonized regulations, what ends up happening is either we have to stop selling certain vehicles in Canada, or we have to stop producing them here.

What will happen is people simply go on those websites. If we remind ourselves that we're in a free trade zone in North America, those regulations might be trying to restrict things in Canada, but the vehicles come in anyway.

We threw our lot in with the United States in North America to have an incredible advantage with the Auto Pact. Because of that, we have thousands of jobs and huge investment that comes to Canada because of the integrated nature. One of the challenges we have is to make sure that we have good, strong standards, but they must be harmonized at the same time. As I said, we can have strong standards; we just need to make sure that they're aligned. Otherwise we end up with no advantage, and certainly a great disadvantage, in terms of the employment and the benefits we get in Canada.

● (0925)

Hon. Dan McTeague: Thank you, Mr. Paterson.

Dr. Rosen, I was interested in your comments about incentives to get kids into these programs. Certainly a very recent reality among those who have skilled backgrounds is that they are losing their jobs today. In manufacturing, one in nine jobs in Ontario, if I'm not mistaken, has already been lost. That's sending a message to those who might otherwise go into skilled labour and the skilled trades that in fact there is a decline in this area.

To be more specific, do you see the federal government playing a role, in terms of providing incentives to young people to get into programs? It now seems that from a provincial point of view, with the lifting of the freeze on tuitions, there is the distinct possibility that many young people will not be able to get access to higher education, whether it be in the universities or schools such as yours.

Dr. Marc Rosen: You've mentioned two issues that certainly are important. The first is getting students into school. Accessibility issues are a concern across the whole university sector, whether it's in manufacturing-related or other programs. We very much sympathize with student needs for help to make sure they can get in.

The other question or area on which you can focus concerns the disciplines to support them, such as manufacturing. Can the federal government get involved, given the provincial and federal jurisdictions on education? It may not be transparently easy, but I'm sure there are ways with creativity.

The scholarships at the graduate level that the federal government offers can certainly support a lot of graduate studies and the students entering into these areas where they get advanced training at the graduate level. This has spinoff effects back to the undergraduate level—a bit of a magnet to pull others in.

Hon. Dan McTeague: I was just doing a PSA for my bill last week on RESPs that would make it tax-deductible so that more people can get access to it, but I think my colleagues may have a dispute with that in just a moment.

Perhaps I could shift gears to you, Mr. Gray, and to you, Mr. Malcolmson, in terms of the significance of the border. You alluded to it in your discussions. Currently there are a number of programs—the FAST and NEXUS programs, which I'm sure Mr. Masse will be talking about, because we're heading to Windsor tonight for meetings tomorrow—and I'm wondering if the issue of passports that is going to be implemented very soon for those who are travelling by air.... Obviously it isn't as significant a problem for those who are shipping at this point. But is there a concern you have that we're not looking at all opportunities, at other modalities of getting product to our markets, particularly to the United States, including the idea, which I think has been lost over the past little while, of providing fast boats across Lake Ontario—fast ferries, as they were referred to?

Do you have any thoughts on that in terms of infrastructure?

Mr. John Gray: The automotive mayors meet regularly, and this has been an issue that's front and centre. It's not just a Windsor issue or an Oakville issue. It's an issue for us as well.

So many of the trucks have to cross the borders repeatedly for us to produce a vehicle right here in Oshawa. Dave Paterson is probably better equipped to talk about these things. There might be an inner fender well coming from Ohio and something coming from Detroit. In some cases, we have parts manufacturers who are actually shipping their parts to the United States for some further enhancements before they get included as a component on vehicles right in Oshawa.

The same applies to every other municipality. So anything we can do to speed access across those borders is going to be absolutely critical. When a truck is stalled at the border because there's some issue, in some cases, with just-in-time manufacturing, if that truck is not available, we can shut down a line. The costs are huge. So that's why we all have to pull together on that particular issue.

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

We'll now go to Mr. Crête.

[*Translation*]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Good day everyone.

No doubt you're aware that on November 24, if the Americans follow through with their proposed measure, an additional $5 tax will be levied on each truck crossing the border. This additional levy is justified by the fact that fruits and vegetables shipments crossing the border now undergo additional checks. However, the tax will apply to all trucks.

Have you contacted the US government, or do you intend to do so before November 24, to consult on this point in order to have the measure postponed or overruled? Perhaps we could ask the Americans to do impact assessments and to make their findings public before the new tax takes effect.

● (0930)

[*English*]

The Chair: Thank you.

Mr. Gray.

Mr. John Gray: Thank you.

We haven't had much discussion on that particular point, and I hadn't really grasped the severity of it. By you asking the question, I understand very much how that can just really tie up the border and slow things right down. We could take that to our councils throughout Durham, and I'm sure we could circulate it to municipalities across Ontario to see if something can be done to help slow down or make them re-evaluate that draconian measure.

[*Translation*]

Mr. Paul Crête: My other question is for Mr. Gray and Mr. Malcolmsen and it pertains to the manufacturing sector and the Canadian economy.

There is a tendency to say that the economy is doing very well and that unemployment rates are very low. That may be true, but the manufacturing sector is facing some important challenges. Do some organizations, for instance, the Federation of Canadian Municipalities or the Canadian Chamber Commerce, view the situation as cause for concern?

What can you tell us? Is it important for you to speak out on this issue?

[*English*]

Mr. Bob Malcolmsen: Specifically to answer your question, the Canadian Chamber of Commerce did the presentation for the industry committee and we, as our local chamber, concur with that. Directly in manufacturing we have an aging population as well. You heard from the university saying that it is more and more difficult to get individuals into the manufacturing sector. So we have to be very cognizant of the fact that we have to keep our education levels up and get people trained and into the industries in the manufacturing sector. Because of the aging population, people are moving away and new people aren't coming in. We're not only going to have that problem in manufacturing, but in transportation as well. The trucking industry that moves our goods and services across the borders and across the GTA also has an aging population.

So education and getting youth more involved into the industry sector, manufacturing base, and the trucking base is key to the survival of the Canadian economy, I believe. And the Canadian Chamber of Commerce certainly has given you comments in regard to some of the areas that are of key concern to them. I will reiterate that competition from low-cost producers like China is one of the ones that are causing rising input costs, as are key skilled labour shortages and border crossing.

A piston going into a vehicle will cross the border at Detroit-Windsor seven times before it's put into a minivan and comes off the line at the end. And you have 3,000 trucks a day going across the Ambassador Bridge. If you have one accident, it ties everybody up. Keep in mind, gentlemen, you go down the 401 and go onto a residential road to cross the Ambassador Bridge to get onto a superhighway on the other side. That is the problem we have in Ontario. If we keep the congestion blocking us up, the manufacturing sector has to look and ask, where can I do business easier, and they will take a long, hard look at that. This is a key concern.

We have been battling. Our chamber of commerce first made a resolution to the Canadian Chamber of Commerce in regard to the Windsor-Detroit border crossing in 1999 or 2000. It is now 2006, and it's still not moving forward fast enough to help the manufacturing sector in Ontario.

● (0935)

The Chair: I have Mr. Paterson as well.

Mr. David Paterson: I'll very quickly add something, I'll throw in my two cents.

I'm a director of the Canadian Chamber of Commerce. I know that the chamber has been very adamant on border issues, and, as Bob has mentioned, two other things, and the chamber will have spoken to you about tax measures. Particularly, for example, there is a measure in Quebec that is very helpful to manufacturing where people are able to have advance tax writedowns on manufacturing equipment. It reduces their capital tax in Quebec if they do that. Those types of measures, when we see the economic statements coming out tomorrow, will all be things we're looking for. That could be very helpful to the manufacturing sector. And I would add that the Canadian Chamber has shared in the same comments I've made with respect to trade, that if we're going to look at trade agreements, they need to be fair trade as well as free trade.

[*Translation*]

The Chair: One last question.

Mr. Paul Crête: Mr. Patterson, you claim to have some reservations about efforts to advance innovation. Where do you feel that there is room for improvement?

[*English*]

Mr. David Paterson: There are a number of things that industry can do to advance innovation. We're very proud of the efforts we're making right here in Durham region with an automotive innovation network, joining universities together with suppliers so that we take the best in Canadian R and D and transfer it right through not just the major manufacturing industries but their supply chains as well. So those are things that we can take as businesses, as initiatives. We're proud of that. In instances we were able to do some of these things because of some of the support we have from the government in terms of being able to proceed forward. So those are important, and the measure I just indicated with respect to certain tax advantages for people who are making machinery investments and investments in upgrades to the types of things that are fundamental, the innovative advances that we require to be at the cutting edge of manufacturing.

We're never going to compete globally in the manufacturing sector based on low wages in Canada. We have to compete on having better products, faster products, lighter products, more innovative products, and more fuel-efficient products, those types of things. They're very important to us, and it's what goes on between our ears rather than our brawn that is going to get us there—so innovation. And you can make a huge difference at the federal level through tax policy and through a variety of the other types of things we talked about.

The Chair: Thank you.

We'll go now to Mr. Carrie.

Mr. Colin Carrie: Thank you very much, Mr. Chair.

I would like to thank all the witnesses for being here today.

I have only six minutes to ask you questions; I'd love to have sixty. I have three questions in particular, and one is for the mayor, since you're the only mayor who will be officially presenting to the committee.

I wonder if you could expand on your opening statement. You said a few things about the challenges with municipalities attracting other industry. Do you have some specific ideas on that?

The other question is for Dr. Rosen on the Beacon Project. I was so thrilled to have that investment here in Oshawa. What are some of the results you're going to be seeing with this joint project, and what is it going to do for the manufacturing sector, not only here in Oshawa but across the country?

The third question is for Mr. Paterson. You talked about the economy of scale and trade policy. There has been a lot of talk about environment and emission standards, and some people are pushing to adopt California's standards. What effect would that have on the economy of scale we now enjoy in Canada?

I know it's kind of quick, but if you could answer those three questions that would be wonderful.

Mr. Mayor, will you start?

Mr. John Gray: Thank you very much.

As far as incentives, I'll first of all give you some background. As you know, in Ontario, municipalities are precluded from providing financial incentives to locate manufacturing or get investment into our communities. That's probably a good thing, in the global sense of Ontario municipalities. You don't want rich municipalities to be able to offer the best incentives, so the rich get richer and the poorer municipalities continue to starve for economic development.

But I think we have to understand the environment we live in today. In the United States, particularly the southern states, they seem to have either state or local incentives they can offer to locate manufacturing in their jurisdictions. That has a significant impact. In some cases municipalities can offer up to ten years of no property taxes. We can't do that in Ontario.

On what I think we need to have, the federal government could take on this responsibility, and somehow an analysis would be done on the merits of somebody locating in your municipality. Then we would be given the ability—probably through the provincial government—to allow that so we don't continue to see this drain of investment to the southern United States. Once those jobs are gone to the southern United States they're gone forever.

We have to understand that municipalities are also trying to position their communities for economic investment. That's why I'm advocating some sort of incentive program that recognizes that we still need to level the playing field for all municipalities across Canada. But there has to be some way for us to give something to keep them here, because economic development is about retention and growing, so I don't want to see them bleed off to other jurisdictions. When we lose them from Canada, obviously the economy of Canada suffers.

That's the idea. I hope I haven't been too long-winded.

● (0940)

Mr. Colin Carrie: Dr. Rosen.

Dr. Marc Rosen: Thank you.

On the effects of the investments going on in the university and the region, because it's all beginning at this point, the plans are really long term and short term.

In the long term, we're looking to set up a facility with the ability to provide paradigm-shifting research to come up with the next new major leap in innovations—the next new steps that create a whole new technology or a whole new way of putting technologies together.

On the other hand, in the short term we definitely want to work with industry to help solve the day-to-day challenges they face that require development, research of a form, innovation—whatever it is to help us stay competitive now. So we're looking for the short term and the long term, and we think we have the type of partnership set up that is different from any other university. It will allow industry and the university to work much more closely together to achieve both of those goals.

Mr. Colin Carrie: Thank you.

Mr. Paterson.

Mr. David Paterson: With respect to emission standards and the like, I would say a couple of things. One really critical thing to underline is that for us to continue to reduce greenhouse gas and other emissions from the automotive sector, we always have to keep in mind that an integrated strategy is required between vehicle technologies, fuels, and the way we drive.

Canada is far behind the United States in terms of alternate fuel promotion. We don't have any E85 ethanol networks growing in Canada. This is something the federal government can influence through tax policy, as has taken place in the United States. For example, the Chevrolet Impala, which we produce down the street, runs on cellulosic ethanol and is the lowest greenhouse gas producing vehicle on the road in Canada by a long, long distance. If the fuel were available, we could have dramatic reductions in greenhouse gases from the vehicles we have; the technology is in place and ready to go.

We are proud at General Motors in Windsor that we're producing, down the street, transmissions for hybrid vehicles; we're producing North America's largest fleet of fuel cell vehicles with no emissions; we are producing the next generation of hybrids for General Motors down the street in our engineering centre; we have the lowest greenhouse gas production vehicle in North America being produced on the factory line down the street. And our new pickup trucks have the best fuel economy, with an engine that shuts down half the cylinders. They will save more fuel and therefore reduce more greenhouse gas, because of their sales volume in Canada, than all hybrid sales by all manufacturers in Canada on an annual basis. There are great things that can be done with technology, but we need to have an integrated approach.

You asked about California standards. The California standards were developed without technological collaboration with the auto industry. Our current look at the real impact of that is, first of all, that those greenhouse gas standards in California are under court challenge right now by the auto industry and the EPA. They don't go into effect until 2008—they don't exist for greenhouse gases until 2008—and the industry's examination is that by 2011 a significant portion of vehicles produced today could not be sold in California; therefore, they will flow into the state from outside the state, just as we talked about before. So Californians would still get the same vehicles, but their standards wouldn't allow them.

If we did have California and Canada join together and put those standards in place, we would have certain vehicles that couldn't be sold. The largest vehicles are heavy-duty pickup trucks, which we make down the road. We have four of those plants in North America for General Motors. If we took a fourth of the North American marketplace out, then the company would have to decide which plant we no longer needed. So the decisions to be made with regard to the standards are phenomenal; they're very important.

We can make incredible progress if we have an integrated approach of vehicle technologies, fuels, and drivers. That's what we would like to see taking place.

● (0945)

The Chair: Okay, thank you very much.

Thank you very much, Mr. Carrie.

We'll go now to Mr. Masse.

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

Thank you for coming here this morning.

I'm glad to hear about the border. If you think you're frustrated, I've been saying this since 1997. Kids in my community go to school with air monitors in their backpacks to study the particulate matter they've been affected by from the trucks going through the neighbourhoods.

I'd like to ask a question. I'll start on the issue of the Korean trade deal, because we're on that right now. What will happen and what type of analysis has the industry done if the deal goes ahead? Right now the minister has indicated that is going to be the case. I recently asked a question on the deal in the House of Commons, a deal they are pursuing at this time. What will be the net effect of it on the Canadian industry?

Mr. David Paterson: I'll take a quick stab at that.

Normally when one undertakes a major trade agreement, an economic study is done in advance. I think that was done by the government. Unfortunately, the government had several rounds of discussions with the South Koreans before we had a chance to look at that economic impact study. We have very significant disagreements with the conclusions to that study.

Let me illustrate it this way. As one company that also produces vehicles in South Korea, we are producing a wonderful vehicle down the road in Ingersoll called the Chevrolet Equinox. We would love to sell that vehicle in South Korea. I was in South Korea about month ago. I can tell you there's every bit as much buying power in Seoul, and every single different segment we sell in Canada is on the road in South Korea. We would love to take our centre of excellence—we design and build that car right here in Canada—and fill up those boats that come to Vancouver and send those vehicles back to South Korea. We can't take those vehicles and sell them in South Korea because of the non-tariff barriers that don't allow us to get in. The negotiators are looking diligently at removing those non-tariff barriers, but in our judgment, they have not been successful in terms of being able to make a difference in removing those barriers.

The net for us is that we can't expand our production here and sell those vehicles from here into South Korea, and we'd very much like to do that. However, our own company is designing a very similar vehicle in South Korea, so one of the things we'll have to decide is if we can't get access to that market, do we start to build that vehicle in South Korea and bring it here. If we do, then what happens to the plant that makes them here? When we look at economic impacts, we need to look in the real world in terms of how investment decisions are made, not just in terms of economic models that don't necessarily get down to understanding how those types of investment decisions can have huge, profound effects on an industry.

We're very, very worried about the economic impact if this deal goes ahead, unless the deal can get genuine access. We'd like a deal, if it gets genuine access. Right now we don't see that it's doing that.

Mr. Brian Masse: Mr. Gray, I enjoyed your presentation. You noted several incentives to help municipalities. As a former city councillor, you're often left with few tools to be able to do some of the grunt work that's necessary to bring the investment. Later on, you bring in the province and the feds as the groundwork has been done.

You commented on a national energy strategy. Could you give me more specifics in terms of what you're looking for there? You mentioned stabilized prices. How do you envision that taking place?

Mr. John Gray: We're a great fossil fuel producer here in Canada, and of course we have our technologies. It's about the energy of the future, whether it be nuclear or fission, whatever: it's making sure we channel those resources. I mentioned the energy cluster in my presentation. Putting investment into technology development is going to be very wise for us, because we have to understand that one of the competitive pressures industry faces—for example, General Motors—is you consume a vast amount of electricity in the production of a vehicle. If we can have a policy that can help encourage low-cost energy, mainly through electricity, then that will give us, as a nation, a great competitive advantage over many other nations.

I'm seeing the brainpower in this country, and certainly Canada has been well known for the Canatom, our nuclear program. That's where we have to channel some of our energy and excitement and create more low-cost energy. That's not to shut out our current fossil fuel production in Alberta—that's vital to us as well—but in the meantime, let's find ways to create some other energy.

● (0950)

Mr. Brian Masse: Dr. Rosen, how difficult is it to get students involved in your programs? I was a little bit concerned about your comment saying it was hard to keep them as well. Can you elaborate on that?

Dr. Marc Rosen: Probably the same factors that would affect students, attraction as well as retention. The attraction is would they even consider manufacturing? If it is viewed as dirty assembly line work of the past, that's not exciting to them, and they'll run to other areas and they'll go to other engineering fields where they see much more advanced technology at work.

On the retention side, once they get to know the field a little bit, they start to hear of the issues you're discussing here: I got into it, but will there be a job for me, or are all the jobs going to be out of the country? That scares the daylights out of students. They may want to go and work internationally in time, but that probably was not their objective when they got into a program, that they were signing, basically, their immigration papers and they would have to leave. If they don't see a future in the field in Canada, they're not going to go into it and you get into that spiral. You can't get into the service sector because no one wants to get into it, but with no one there, you can't beef up the sector.

Mr. David Paterson: I was just going to add: kudos to UOIT. We are delighted that this university has been the first in Canada to create a degree in automotive engineering; ironically, with all of our history in the automotive industry in manufacturing vehicles, UOIT is the first to create this degree. We will now be able to have students work together with our suppliers, and those students will have insights on developing electrification systems for automobiles, fuel cell systems for automobiles, and on testing parts. It will be very exciting. These are the kinds of things we think will help draw people into these programs and really give us a cutting-edge advantage in Canada because of our excellent engineering capability.

So a pat on the back to these guys for being leaders.

The Chair: Thank you, Mr. Masse.

We'll go to Mr. McTeague again for five minutes, please

Hon. Dan McTeague: Thank you, Chair.

I guess one of the conundrums of being Canadian right now is that you want the best-paid jobs and a standard of living, but you also want to pay the lowest prices for all of your products. So while Canadians want manufacturing to be able to provide them with the standard of living we've become accustomed to, there is also the prospect and problem of those who will seek the lowest price at any cost, which of course becomes a bit of an irony for some people. The challenge for us, as legislators, is that we play a very small role in terms of the instruments we might be able to provide to offset that.

How difficult a task is it to try to inform Canadians that while they may want the best or lowest price for things, it may be a self-defeating prophecy? That's not a philosophical question.

Mr. David Paterson: I can illustrate that by putting it in terms of the automotive manufacturing context. For instance, there's no question that the entire automotive industry in North America will increasingly be sourcing certain low-cost items from offshore, and bringing them in. We do that now. It is a matter of competitiveness, to get at just what you're raising: the customer wants to have an affordable vehicle. Price in the marketplace is not only critical for us to compete against our competitors here, but if we want to export our vehicles and be competitive, it's also absolutely critical to that.

Now, there are some aspects of things we do better in Canada, because of our intellectual added value, that surpass a price differential. I'll give you an example. In the province of Quebec, we happen to be world experts in the development of resilient lightweight materials, which happen to be a byproduct of companies like Alcan and companies that have serviced the aerospace industry.

What we've tried to do in General Motors is to tap into that intellectual capability, and that's why we're working with four great universities in the province of Quebec, who will help us develop new lightweight plastics and new lightweight resilient metals. For instance, magnesium is now a replacement metal for a lot of different steel products that were formerly going into our cars; it reduces the weight and makes them more fuel efficient. So with these types of things we're trying to create niches of real expertise so that we can, as I say, develop something better, lighter and faster, and make up for a cost disadvantage.

● (0955)

Hon. Dan McTeague: I watched a commercial this morning about the razor blade called Fusion, and it dawned on me that in this particular state-of-the-art Fusion there are the very kinds of metals you're referring to, in a niche market. The product—the component or plastic—can be made anywhere around the world for pennies, but the high-value-added product or specialized machines and ingenuity needed to build those particular razor blades are 80% of the cost, and therefore the value-added remains within Canada.

Mr. Malcolmsen, in concert with what Mr. Paterson suggested, we've heard from some witnesses in the past couple of days who have suggested that business is obviously looking for the bottom line. Often you will see manufacturers close or scale back their Canadian operations—I don't know if this is the case here in Oshawa—where the margins may be very skinny, at 5% to 10%, but by going to China, for instance, they may be able to increase their profits and of course drop the cost of the inputs and bring them back to the market with similar quality.

How much of that is a challenge to manufacturing here in the Durham region and to your organization in terms of promoting growth?

Mr. Bob Malcolmsen: That's a difficult question to answer. In the manufacturing sector, if business says you can make a better profit offshore, it's private enterprise and they have a right to do that.

People want quality in their products. When you're looking at the manufacturing sector, what we have to appreciate is that we have to keep the intellectual properties here in Canada. We actually had a gentleman speak at our economic conference who was basically saying the exact same thing. He holds the intellectual properties on his manufacturing product. He can maybe take it offshore, but he still holds the intellectual property; he's not selling that, but keeping it. That's the way he remains competitive against China and the other foreign countries that are competing against him.

So I think we have to be innovative in Canada. If manufacturers are closing their doors because they're not competitive, it's probably from the fact they're not trying to be innovative and competitive, which brings in the comment Mr. Paterson made in regard to the UOIT. With the Beacon Project being done at the university, they're allowing not only the manufacturers of the automobile, but also all of the suppliers.... Those suppliers may not necessarily just be producing an automotive part, because I know several tier-two and tier-three suppliers in Oshawa who not only produce automotive parts, but also are being smart enough in their industry sector to be pulling off other products. There's one business here in Oshawa, for example, that does aluminum parts for the automotive sector and that took its ingenuity and design and is now producing aluminum docks for cottages. So they're taking their innovation and intellectual properties and understanding where they're going and saying okay, if I can do this in the automotive sector and keep being competitive and keep upgrading my products through research and development and innovation, what else can I do when I'm in a slow time, or how else can I add to my product? And they take a look at another design.

We have another industry here in Oshawa that was producing light parts for automobiles, which also ended up producing all the lockers for schools, though they're no longer around at this point. We can do this, they said, but we can also do something else.

So we have the smarts to do it.

The Chair: Thank you.

We'll now go to Mr. Shipley for five minutes.

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

Thanks to the panel for coming out this morning.

First to Dr. Rosen, in terms of the university of 4,300 students—and I congratulate you on your comments—I don't know what your goal or your maximum can be there. I'm hoping that some of the things you talked about in terms of incentives, scholarships, apprenticeships, and employment incentives are actually doing something to help with the output of your students and the end result. In the last budget we tried to do some of those things.

I now also want to deal a little bit with the education part and the image, and we hear this. We heard it with a panel that came and talked to us in Ottawa, and we've heard it today, and other days also. Talk to me about how you are going to market this. Obviously when I say “you”, I think there's a partnership that has to come, and which has to involve.... But talk about the education sector and government —though I think it's bigger than that. I'd like to hear your comments on who should be in it. Obviously the industry needs to be very much in it. Help us on how we can bring about or change that image. McDonald's and some other companies changed the image things around. We would be interested in hearing how you're going to do that or what thoughts you have on it.

● (1000)

Dr. Marc Rosen: Thank you very much.

Yes, certainly incentives, scholarships, and the like that have been provided have been very helpful. An additional comment from me would be to have some targeted incentives, if there are certain sectors you want to support, rather than across-the-board incentives for students. There's no harm in giving better incentives in certain areas.

When it comes to image, we're a middle person. Students are going to choose. Industry is going to hire. They usually have to go through some educational program to get to industry. If industry isn't attractive in a particular area like manufacturing, there's very little we can do to lure a student. They know if there's anything on the other side. So industry of course has to make the image of what manufacturing is more appealing, more attractive to youth, that it isn't all grunt work, working with your hands. The technology is as exciting, as advanced as any sector around. Kids love iPods. You name the technology. It's that same technology applied in the relevant context. The message isn't hard to get out. But what's there now is a 1930s movie of an assembly line, and that's very hard to overcome.

Government can help too. Any industry speaks and it's viewed as biased, self-motivated. Governments can help across the board. One attempt was made by the Canadian Manufacturers and Exporters to put a commercial together manufacturing guitars. It was really exciting. They had a rock group doing the background. They never had the money to launch it. I've seen a version of it. I'm using it in trying to attract students. But the nuclear industry is doing this very well lately, getting commercials out and promoting benefits. The image can be improved in getting right out there, even with commercials. And other measures could help.

Mr. David Paterson: I might add this. Over the next two years, as we bring forward this new automotive centre of excellence, one of our great objectives in this venture as General Motors is to do just what you're talking about and let people know about it. We have a very self-interested reason. Our objective is to have suppliers from all across North America know about what we're doing here right in the Durham region. Because what we'd like them to do is to come and not only work with Marc and his students and the great technology that he's going to have, but work with us because we buy stuff.

We'd love to have you come down to our engineering centre sometime, because when you open up a car you suddenly realize it's not just one product, it's thousands of products, and each one needs innovation. So if we can not only bring students into the centre, but also bring this enormous supply community that we have in Canada into the centre and also become involved, perhaps locate engineering centres around here in the Durham region, open new businesses.... And as perhaps some businesses do go to lower-cost jurisdictions, new ones come into this country and this province and they're based on innovation and technology. That's the vision. So we're literally producing new businesses out of this centre. We want to appeal not only to students but also businesses to be part of this venture as well.

Mr. Bev Shipley: I want to go back and carry through a bit, because you also talked about research and development, how significant that is.

The Chair: Last question.

Mr. Bev Shipley: Okay.

We're hearing there's a disconnect between research and development that is needed by industry and what is being supplied by academia, whether it's the universities or colleges. Can you respond to that, please?

Mr. David Paterson: Very quickly, I think we do as much collaborative research with universities right across the country as any company in Canada. We know the kinds of products we need to build. We have to have the wisdom as well to open our ears and listen to people with better ideas. And that's the give and take. So we may know we need widget A and we want it to be lighter, faster, whatever. We'll put out a call for that. If you provide something excellent you'll make millions of dollars, because we'll source it.

However, at the same time we need to listen to that. What has not happened is the joining of the dots between people who purchase and people who develop and that type of free-thinking research that's taking place in our universities. So the networks and clusters we're trying to develop in this Beacon Project we think is part of the answer to that, and that's supported by a lot of research by people like Porter and right here in Ontario, other professors as well.

● (1005)

The Chair: Thank you.

Now we're way over time.

We'll go to Monsieur Vincent.

[*Translation*]

Mr. Robert Vincent (Shefford, BQ): Thank you, Mr. Chairman.

I will be sharing my five minutes with Mr. Crête.

First of all, thank you for joining us today. My question is for Mr. Gray, but the other witnesses should feel free to answer it as well.

I know for a fact that small businesses in Ontario are facing the same challenges as their Quebec counterparts. Have small businesses been in touch with you to discuss some of the problems created by competition from China and from other countries?

[*English*]

Mr. John Gray: Thank you very much.

As I mentioned in my notes, we just had a Durham economic summit on October 12. It represented small businesses through to large businesses. They're all feeling the pressures, of course, in this day and age. That's how we came up with the recommendations I've presented to you today. Obviously everybody is concerned about their bottom lines, making sure they remain competitive and that there are no unnecessary hurdles put in their way to succeed. I think everybody has to be concerned, especially the smaller manufacturers, with the advent of low-cost labour from China. Those are the types of issues they all face.

We realize that at the local level there's not a lot we can do. That's why we have to rely on the federal government and the work of this committee to make sure those small manufacturers can continue to be viable on into the future.

[*Translation*]

Mr. Robert Vincent: I see.

Yesterday, in another riding, industry representatives recounted how they were having problems with intellectual property. They said that even in their own region where the same process or product was being copied, the cost of challenging intellectual property rights in court was so prohibitive that they were abandoning their fight. Innovative products are being copied in Canada as well as in China. We always hear about innovation and the money invested in innovation, but if our products are being constantly copied, then I don't think we're on the right track.

What steps should be taken to make intellectual property more accessible?

[*English*]

Mr. John Gray: To whom is the question asked?

[*Translation*]

Mr. Robert Vincent: To all of the witnesses.

[*English*]

The Chair: Mr. Gray or Mr. Paterson.

Mr. John Gray: It's always more difficult to create new ideas and bring them to market. Somebody can always copy you. I guess that's where our own Canadian laws have to be strong. The federal government also has a role with other countries to make sure there are stiffer penalties when somebody steals an idea or product, replicates it in their own country, and markets it right back into our country. That's where we need to have stronger laws. You're right that you channel all your energy to develop these things, and somebody can, at virtually no cost, take it from you.

● (1010)

Mr. David Paterson: It's a bit of a two-way street, in that we are concerned about foreign jurisdictions copying our products, intellectual property theft, etc., and it is a very severe problem. I think we have to focus on what we can control, and enforcement of the types of regulations we have here in Canada is incredibly important. Sadly, we are developing an international reputation for being very lax on our own enforcement of intellectual property. We see this in the automotive sector. Parts are coming into the auto sector that are almost exact replicas, with our own packaging. People are putting them in their cars and their cars don't work. You have safety issues starting to pop up as well.

It's a very severe problem right here in Canada, so I would certainly encourage you to look further into aspects of enforcement and more protections that might be needed. I would recommend two aspects of the Canadian Chamber of Commerce. You mentioned China, and they have an excellent paper that has come out on China. The committee clerk and your analysts may want to take a look at that. Included in that is some reflection on the issue of intellectual property.

[*Translation*]

The Chair: You have time for a short question.

Mr. Paul Crête: I've turned over a copy of the US proposal to levy an additional $5 tax on all trucks crossing the border, effective November 24. They may have decided to hold off on this measure, but I can't be certain of that. Therefore, it would be important to issue a notice, if you think it advisable. Any additional information that you may need can be found in this document.

That's all I wanted to say.

[*English*]

The Chair: Mr. Gray.

Mr. John Gray: Yes, I made sure that my EA contacted you to get this information.

We'll put together a resolution. We'll send it to our Durham region colleagues for endorsement, and we'll make sure it goes to all municipalities.

The Chair: Thank you.

We'll go to Mr. Van Kesteren.

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

Thank you, gentlemen, for showing up.

Mr. Paterson, we hear a lot about the environment. The push is on, obviously, when we talk about having conformity with the United States. I think it's a very good idea.

Could you elaborate on that a little more? How did we do in 1987 compared to the 2000s? Over the last 20 years, how have we done on cars?

Mr. David Paterson: In a nutshell, there are two forms of emissions that are particularly relevant for automobiles. There are smog-causing emissions, and there are greenhouse gas emissions. On smog-causing emissions, since the removal of lead from gasoline, we've seen new automobiles remove smog-causing emissions by over 99%.

To put it in human terms, if you burn a cord of wood in your fireplace, it will produce more smog than driving a full-size SUV around the circumference of the earth 36.5 times. To put it another way, if we painted that wall with a gallon of water-based paint, it would create more smog than driving an SUV to Vancouver and back again. We are down to very small emissions of smog from vehicles today.

The fastest way to accelerate the reduction of smog from automobiles is to get older vehicles off the road. A vehicle that's 20 years old emits some 35 times more smog than a new vehicle today. If we have a production of one million new vehicles into the marketplace in any one year, we also have one million old vehicles that are a 35 times greater problem than the new ones, if you will, on the streets.

One thing our company is doing is giving our customers an incentive. If they turn in a vehicle that's ten years old or older, they will get an incentive of $1,000 towards purchasing a new car. It's an industry-based incentive that's in the market, and it's working. We retired 17,000 old vehicles last year through the car heaven program that we do at the Clean Air Foundation.

The next challenge is clearly also the reduction of greenhouse gases. Greenhouse gases are simply a byproduct of the burning of carbon-based fuel. We wish there was a filter like a catalytic converter that could remove it.

We need strategies to reduce our reliance on carbon fuels. It means the electrification of our cars to hybrid fuel cells and other technologies or switching the fuel.

We are constrained. We can't make huge advances because there are no fuel standards in Canada. There are voluntary standards, but there are no regulations right now on the quality of fuel or the production of alternate fuels in the marketplace. It's a huge aspect. However, we are all bringing forward new technologies that allow us to do what our customers want, which is to spend less money on fuel.

On my last quick point, since we're time constrained, right now we have a national fuel standard for fuel economy in the United States. We follow it voluntarily in Canada. It's called CAFE. I won't describe it, but it's going through reform right at the moment.

The standard is becoming approximately 14% more stringent, as we speak, than it has been before. It is again continuing to raise the bar in terms of the fuel economy of vehicles that are out there. We expect it will continue to become more stringent as the reform continues.

Ironically, if Canada were to adopt by regulation the CAFE standard in the United States, we would do even better than the United States. We would lock in some of the advantages we would get in Canada by virtue of the fact that we tend to have smaller cars.

● (1015)

Mr. Dave Van Kesteren: You've done an excellent job at General Motors, and you should be commended for that. I like your “take a car to heaven” program.

You'd then be in favour of, and we would certainly suggest to our government, possibly doing the same thing with a tax incentive. If it's a ten-year-old car, you'd get $500.

Mr. David Paterson: We would love a matching incentive in the marketplace, and it would make a great difference.

Mr. Dave Van Kesteren: I have a question for Mr. Malcolmson too. We need to do something with the bridges. It's a real concern. It's easy to clean up your neighbour's backyard, but what about our backyard? How are our roads? Have we as a government done a proper job to maintain our roads? I drive through Toronto and I go through this town every Friday and every Sunday and it's a challenge, to say the least. How have we done as a government?

Mr. Bob Malcolmsen: Well, don't get me going on Highway 407 or Highway 401. We certainly have a problem in the GTA in regard to gridlock and traffic on the highways. The problem right now is that we have one route across Toronto, and that's Highway 401. In the gridlock, we have a problem of moving goods and services, not only for businesses in Ontario, but that route across Toronto going to Niagara Falls, Fort Erie, Sarnia, and Windsor is also used by Quebec industries moving their goods and services. We need another pathway.

Highway 407 has been on the books.... Actually, I was joking the other day that I was a teenager when I went on the committee five years ago. That road is having problems getting developed. I understand the committee is now working in concert on the EA process with not only the federal but the provincial government. If the federal government can do anything on transportation to moving goods and services—

It's also a safety issue. You have a distinct safety issue with cars and trucks getting together on a highway. We must make a safer route. Highway 407 is the answer. It will bypass Toronto, but it's not going to solve the entire problem. Also, that Detroit—Windsor border crossing has been outdated for I don't know how long; it has to be fixed to get these goods moving faster.

The governments know they haven't done enough on transportation and infrastructure in regard to the major highways around the GTA. The bulk of the population in Canada is in southern Ontario, and that's where the manufacturing sector is. If we lose the manufacturing sector because we can't get our goods to market properly.... You know, it's great to say that's only one industry, that it's 200 jobs, and they'll go somewhere else, but those 200 jobs, you have to keep in mind.... I told a panel this years ago from the perspective of a chamber of commerce: if those jobs in manufacturing are gone, they're gone forever.

It also impacts on the fellow who does the haircuts for those people, the restaurants, the insurance company, people who buy computers, it's a ripple effect through the process. If you start thinking you can move manufacturing jobs, they can go somewhere else, once you start that, it also implodes on the rest of the economy, on the small businesses that rely on the employees to buy the products, the men's wear, the ladies' wear, you name it. If all those jobs are gone, you can have all the service jobs you want in the world, but who's going to buy the products?

So you have to fix the highways.

The Chair: We're way over time here. Sorry.

I'll go to Mr. Masse now.

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

We're hearing a lot of really good suggestions here today, as well as at our committee hearings in the past and as we travel around. A lot of what is suggested, though, takes resources. I guess the question I put out there is what would you prefer that we support right now?

For example, the CAPC support here, the 2005 report card, large-scale investment supports, those are now on hold. The TPC is now being reviewed, so there is nothing from the federal government currently.

Also, with regard to infrastructure funds, do we look toward further tax reductions, do we look for cuts in other sectors, or do we look for the federal government facilitating infrastructure and other types of incentives, sectoral strategies? If you had an option, what would you prefer? At the end of the day it does come down to decision-making about what we do with our resources, and I'd like to hear where you think they should strategically look.

That's to all panel members.

● (1020)

Mr. David Paterson: I can certainly jump in.

As I said in my remarks, the reality is that there are jurisdictions around the world that are dying to get large-scale manufacturing investments, because of the job flowthrough, the contingent jobs, and industry that comes from the supply chain.

The facilitating factor for all those jobs is assembly plants. If you don't have reinvestments in assembly plants, there will be no supplier jobs. If there are no supplier jobs, there is no trucking industry. If there is no...and on it goes. So the entire industry came together in CAPC, worked together with the government, and made as its number one recommendation the need for us to be competitive against jurisdictions, such as the United States, that provide an incentive of approximately 20% of the capital investment in municipal tax reductions. Effectively, that was the competition rough-in. We spent a decade losing automotive investments in Canada as a result of that.

We entered into that, provided very appropriate competitive investments, and we won $7 billion worth of new assembly investments in a very short period of time. We need to have that as our priority if we want to continue to have the assembly plants. All the other investments flow from assembly plants.

Mr. John Gray: I think infrastructure and sectoral support are very important, because that paves the way for the future. Obviously we went through a period where infrastructure was really let go in this country, and that has trickled right down to the municipalities. If we could bolster the infrastructure, I think we would put ourselves on a path for the next 30 years. In my presentation I talked about some of the sectoral supports, you know, the energy, and all those sorts of things.

Mr. Bob Malcolmsen: I would have to concur with my other two colleagues. Sectoral support and infrastructure are the key elements. As I said before, Canada, especially in Ontario, is a manufacturing nation. If you don't have the jobs, well, it's the ripple-down effect. We have to keep moving on the sectoral support and the infrastructure, throughout Windsor.

Mr. Brian Masse: To follow up with Detroit—Windsor border, one of the problems we're facing is the number of non-tariff barriers. Monsieur Crête provided the most recent, the Bioterrorism Act, which was unilaterally imposed. The minister only had two weeks' notification prior to it being announced, and he had no real cooperation with the Department of Homeland Security, as well as other departments in the U.S. state government.

I've been dealing with a number of different committees and organizations to try to eliminate some of these non-tariff barriers. Are there any additional things we, as representatives, can do to stop those from coming forward? It seems that it almost has to come from the Prime Minister at this point, because it seems they're unilateral. The western hemisphere travel initiative, for example, is another one, and there are a whole series of others. Do you have any quick suggestions on anything else that can be done from our side, as the legislators?

Mr. David Paterson: I would suggest one thing. When I last visited the Canadian embassy in Washington, one thing that I thought was an impressive, results-oriented initiative was a sophisticated understanding of Canadian businesses that resides in the United States. They talk with congressional representatives across the United States, particularly the northern states.

There are groups, such as the Canadian Automotive Partnership Council, where you have companies that have bases in the United States as well as Canada. While I certainly agree we need top-level exchanges with the United States to make sure that we harmonize and that our trade continues to flow, as a priority, I think Canadian businesses can add an awful lot if they work in conjunction with their governments and with their embassies, etc. We can only accelerate that if we put more attention to it.

● (1025)

Mr. Brian Masse: So that's a specific trade strategy.

Mr. John Gray: With you coming from Windsor, you would understand that Ontario and the northern United States are actually one economic unit. Believe it or not, we actually have some allies with the governors of the northern states. They understand the importance of being able to move the goods around. When restrictions are put in place, it hampers that flow of goods and of people. That hurts us all. I think that's one of the untapped allies we really haven't explored too much. I see it as a great opportunity.

The Chair: Thank you, Mr. Masse.

We'll go to Mr. McTeague now.

Hon. Dan McTeague: Chair, I won't have time to float another idea on the EI deductions and how we can use those to, as it were, give companies an incentive: rather than paying the source deductions back, to hire more young people to get them from the trades. This might be something Mr. Rosen would be interested in.

We are in Oshawa, and I think it's important, from our perspective, that we cede the time to Mr. Carrie. It's his riding, and I'd certainly like to hear more questions from him, if I could, with your indulgence, Mr. Chair.

The Chair: The Conservatives have the next spot.

Mr. Colin Carrie: Thank you very much, Mr. McTeague.

I want to highlight some of the things that are unique to Oshawa. Mr. Paterson, you brought up CREC. I was wondering if you could take another couple of moments to expand on that.

Dr. Rosen, there's this big commercialization gap between getting an idea and bringing it to market. I was wondering what we're doing at UOIT to help close that gap.

Mr. David Paterson: We have a unique facility amongst the auto industry in Canada, right here in Oshawa. It's our Canadian Engineering Centre, just down the street. In that centre we do a full range of activities for design engineering for vehicles.

To put it simply, when you come through and see the plant, what you quickly find is that there are thousands of components that need to come together and fit under the skin of an automobile, and the automobile has to be tested and certified and must meet all of those types of requirements. That's the type of work we do right here, and it's the very high added-value type of work that makes a big difference.

This centre opened in 2001, and we have hired some 500 Canadian engineers to work in the facility. One of the things we're most proud of is that we have been able to draw and train Canadians of all kinds of heritages and backgrounds. We work 24 hours a day around the globe. Our Mandarin-speaking engineers work in both English and Chinese with our engineering plant in China, and we work through the time zones throughout 24 hours.

What's really important is that the entire supply community—and you see it represented on the maps I provided to you in our presentation—converge here in Oshawa to work with our engineers, because that's where they get the specs for all the products they're about to develop.

The real economy of manufacturing is not even just the massive amount of work that takes place south of the 401 here. It's in, of course, all of those supply companies that are dotting the 400-series of highways throughout Ontario. But they have to develop their products and have the specs for those products set by the manufacturer.

What's unique is that GM is the only company that actually has a major centre here. The first vehicles in Canadian history that were fully engineered and built in Canada were the Chevrolet Equinox and the Pontiac Torrent, for which we did the design engineering work right here in Oshawa. Now those vehicles are being built in Ingersoll.

That has been the foundation of then turning to my friend Marc and to UOIT and asking: “How can we build on that? How can we draw more collaborative R and D together, share it with the supply community, help them develop better products, and develop better businesses and commercialize those businesses in Canada?”

What we're really impressed with is that they're not only providing an automotive engineering degree; you're also going to have great business skills when you come out of that program as well.

Dr. Marc Rosen: The innovation gap you asked about is a big issue. We recognize, and I think many recognize, that there are the two solitudes of university research and industry needs, and yes, there is a gap between them. We're trying to resolve it in some ways.

One is, we declared from the very onset: as a new university, let's not just value the typical university output—publish a paper; it gets put on a shelf; no one ever reads it again, except one other person in the world. Rather, let's do things that will be adopted by industry, adopted by the market, and let's work closely together. We've entrenched this as part of our value system at our university, and it's somewhat different from what you would see at others.

Then we're actually implementing it through partnerships with industry. The centre we talked about, the automotive centre of excellence, is owned by us but is going to be used by industry 70% of the time. The academics are going to be there doing work, and they're going to be tripping over each other. You will not be able to avoid hearing what industry needs, and industry won't be able to avoid hearing what ideas an academic might have who just never had the gumption to go and actually tell someone what they're capable of doing for them.

There will be no gap. We have offices in there to bring in world-class people, to bring in industrial visitors who need to spend time, to make sure that interaction goes on. It's a bit of an experiment for us that we think will address the innovation gap in a unique way.

● (1030)

Mr. David Paterson: I would encourage you. One thing that we found particularly rewarding is we developed this model in Canada of clusters of collaborative research. Our friends at RIM down in the Kitchener area came to us and said we had some pretty good ideas they could build on. We frankly were borrowing a lot of our thinking from what they're doing there as well. I think we have some wonderful examples across different industries of clusters of collaborative research, and what has been missing is someone to buy this stuff. Well, we buy a lot of stuff, so it just makes sense for us to have better stuff to buy. That's where he comes in.

The Chair: Thank you very much.

Thank you very much, Mr. Carrie.

Thank you very much to all of the witnesses for being with us today. We appreciate your time and your testimony here. It was very enlightening. If you have anything further you would like to submit to the committee in advance of our report, hopefully completed by mid-December, please do so with the clerk.

Members, for your information, the bus is leaving at 10:45 sharp for our next site visit. Please prepare yourselves for that, gentlemen. Thank you very much for your time here today.

The meeting is adjourned.

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