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**Wednesday, November 22, 2006**

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**Chair**

**Mr. James Rajotte**

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## Standing Committee on Industry, Science and Technology

Wednesday, November 22, 2006

• (1800)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** I call this meeting to order. It's the 31st meeting of the Standing Committee on Industry, Science and Technology. We are continuing our study of the challenges facing the Canadian manufacturing sector, pursuant to Standing Order 108(2).

We want to thank our witnesses, especially for coming in at such a late time after hours. I want to thank members and all staff who have put together this session late at night here in Toronto.

I'll introduce the witnesses and then we'll go right to opening presentations. I believe you've been given a time limit of about five minutes each for opening presentations.

First of all, from Edson Packaging Machinery Limited, we have the president, Mr. Robert Hattin. Welcome, Mr. Hattin.

Secondly, from Mancor Industries we have the president and CEO, Art Church. Welcome, Mr. Church.

Perhaps we'll start with you, Mr. Hattin. You have up to five minutes for an opening statement.

**Mr. Robert Hattin (President, Edson Packaging Machinery Ltd.):** Thank you very much. I appreciate the opportunity to speak.

I put together a ten-page document, and in the interest of brevity I will skip to what I call my top ten.

When I was asked to talk here, it was about how small to medium-sized enterprises in manufacturing companies like ours are being affected by the economy. My whole topic is really about interdependence.

Small to medium-sized enterprises like Edson are very dependent upon large manufacturing enterprises. We supply equipment to large multinational and national companies. The interdependence of small companies like ours is really that, if they're here, we have an opportunity to play with them to get going. As we have flourished over 45 years, we get to follow these large companies around. It's just basic market economics and there's no magic to it.

My general concern on the more global side is that Canada's demographics are against us. We're basically a very small country and getting older, whereas the United States is getting much larger and much younger. If we're going to have any industrial base left in Canada, we need to quickly adjust those demographics.

We also have aging infrastructure, whether it's seaports, airports, roads, highways, or sewers; and lack of energy—electricity or

carbon-based energy. We have all these different challenges affecting manufacturers, yet we don't seem to be able to respond to them, so it's kind of a paradox. On top of that, we have the aging workforce I mentioned earlier. But I think there's a way that can all be addressed, and our very integrated economy can respond to that and become very vibrant again.

Just to let you know, we have about 60 to 100 people and are located in Hamilton. We've been around for 45 years, and our customers include Proctor and Gamble, Kimberly-Clark, Kraft Foods, and so forth. They rely upon us. They buy our equipment to make themselves more efficient.

My concern on the demographic side is that we won't have an opportunity to even defend the natural resources we have. We'll sell them off to pay for our social programs, as we are with our oil, gas, and potentially water. Further to that, we won't have a young enough market segment to even respond to that from a workforce standpoint. Ultimately we are going to become deindustrialized very quickly and heavily reliant on services to our older generation.

I don't know if the Conservative government has outlawed it, but certainly the word "innovation" has become inappropriate and they're replacing it with something else. I heard this on the news, and whether or not it's true I don't know. At the end of the day it's going to be all about knowledge. Whether it's a small company or a large company, the only way Canadian companies are going to compete will be based upon knowledge and the use of that knowledge in innovation in both machinery and process. If we don't have any innovation in either how we do things or what we use to manufacture things, we'll never compete against low labour cost countries. That's a given.

I'll just jump to recommended actions.

We have to understand that there's an interdependence between governments and large manufacturers or large enterprises. They don't care about borders; governments do. How are we going to entice large companies to invest in Canada?

• (1805)

Before I get to that, the first thing we can do to help the industrial sector—and you've heard it before—is provide accelerated writeoffs for capital equipment. That will spur the purchase of equipment to become more competitive.

I'll put it this way. If I can write off a piece of equipment in the United States in 18 months, up here it takes up to five years. So I have to ask myself, if I'm going to invest \$1 to become more efficient, where do I do it, in the U.S. or here? It's quite obvious. If there is any one thing, one concrete action, that this committee can take away, just do that.

The second thing is a little larger. We have to attract the large manufacturing enterprises to Canada.

**The Chair:** I'm giving you the one-minute alert.

**Mr. Robert Hattin:** Okay.

That's essential. If it's a large company, we service them. That's how that works.

The other thing we have to look at is really our tax regime. When you combine or compare the tax rates of our capital tax as well as our business tax, Canada is second worst. Only China is worse than Canada. That has to change. If we provide the incentives, people come here. Then we don't have to make certain sweetheart deals with a particular company in order to attract them. That makes that much easier.

But the other thing, as far as I'm concerned, is that we have to open up Canada to immigration almost immediately. We should be doubling immigration to that sector that has brains and/or money. That's the only way we're going to start to reinvigorate and change the vibrancy of our demographics.

The other thing is obviously the SR and ED credits. That program has to be revisited. I currently am making close to \$500,000 in SR and ED credits that I'd love to either spend on my EI premiums or be able to purchase a piece of equipment so I can better compete, but they're sitting there not even earning interest. So you have to look at it from the standpoint that it's not the companies that invest in R and D that are the problem and not creating the jobs; it's those who are in the sunset. I'm being penalized for investing in R and D, and I can't even cash in my credits.

The last thing: get to it.

• (1810)

**The Chair:** Thank you very much, Mr. Hattin. That was very concise. Thank you for that.

We will now have Mr. Church for five minutes.

**Mr. Art Church (President and Chief Executive Officer, Mancor Industries):** Thank you.

Well, I came because I heard there was going to be a free lunch, but clearly it's just water and coffee, so I'm a little disappointed already.

Thank you for inviting me. I'm president and CEO of Mancor Industries. Mancor is a Canadian company with a head office in Oakville. We have sales of \$250 million with approximately 900 employees. We have two plants in Oakville and four plants in the U.S. We produce fabricated and machine components for companies like Mack Trucks, Volvo, John Deere, Caterpillar and PACCAR.

We've essentially grown from \$50 million to \$250 million in less than eight years, so we've done pretty well. Unfortunately, for our

country, almost all of our expansion has been in the U.S. One reason for that is simply—and I don't think it's Canada's fault—that our customers are in the U.S. and our Canadian customers are continuing to shrink, which we hate to see. Another reason is that land and building is much cheaper in the U.S. than here in Canada. Another point is that we're basically welcomed and offered incentives to come there by various levels of government. We feel welcome when we go into the U.S.

I'll give you an example. We're opening a new plant in Indiana. It's 120,000 square feet. It's almost a brand new building. We bought that for \$3 million. That would probably have cost \$9 million to \$10 million here in this area. The various levels of government have given us close to \$1 million in grants to be there, with a workforce that's just chomping at the bit to go. That has encouraged us to continue to expand there.

I'm a Canadian and I've worked here all my life. I used to be CEO of Champion Road Machinery up in Goderich, which we sold to Volvo. So I've been in the business scene for quite a while. But our Canadian business environment right now is not encouraging.

One thing that bothers us when we look at the view of government towards business—and I'm sure you've heard this before—is that the recent decision of the government not to grandfather existing trusts has convinced us that this is not a good place to be. In a moment's notice, something can change, and we think something can change on many different fronts. So it has us really thinking that maybe we shouldn't put our eggs in this basket in Canada.

Another is the current friction that our government has with China, which is a silly thing. We trade with China and we need to be friends with people. Canada needs to be friends with people. We don't need to be picking fights.

The Canadian dollar doesn't help, and I'm sure you've heard that ad nauseam. However, our company takes a different view on the Canadian dollar. We think that too many companies in Canada confuse the low Canadian dollar with being really smart at business. In our company we don't worry about the Canadian dollar. We focus on productivity and continuous improvement, and the dollar can go where it wants to go. We're continuing to invest and innovate, including in our Canadian operations. Essentially, our Canadian operations are as efficient as our U.S. operations at the current 85¢ range. Why? Because when it was 65¢ we pretended it was 85¢ and ran our business like that. I also don't remember any businesses asking to send money in to the government when it was 65¢.

Quite frankly, we don't even discuss it, but what I tell outsiders is, quit your whining and get on with improving your business. That's the one thing we control. We don't think the Canadian government actually controls the Canadian dollar all that much. One thing we do control is how smart we are, how well we run our businesses, and I think that's what Canadian businesses need to focus on.

In terms of advice, I'm not really sure what to tell you. The rest of the business community, I'm sure, has given you lots of details—ideas and numbers and all the rest of it—and I'm probably not smart enough to do that. What I would say, though, is that Mancor is a very successful company and we have a motivated and trained workforce. We have good management. We've invested in continual improvements, lean techniques, automation. We've focused on our customers' successes, and we need to do much more.

In terms of Canada, my advice is biased. We need to do the same thing as successful companies do. We're competing against some very good guys.

● (1815)

Number one, we need to invest far more in our colleges and universities and support training in companies. We compete with people. That's the key.

Number two, we need to encourage immigration from places that have demonstrated high training and work ethics. We actually have a good workforce in Oakville because we have a very high rate of new employees there.

Number three, we need to dramatically reduce our health care costs by demanding competitive performance and efficiency improvement using Six Sigma and lean techniques. Again, my advice is let's start running it like a company.

Number four and most important of all, as a company needs to decide on products, I think a country needs to decide on products, and we need to decide if Canada wants to be in manufacturing or not. If you don't want to be in manufacturing, just tell us. Then we can make our plans. If you do, you need to get on with figuring out how to really help the companies and encourage the companies to be highly competitive in this world economy, and if you do want to be in manufacturing, lots of us can help you figure it out.

Thank you.

**The Chair:** Thank you very much, Mr. Church.

We will also welcome Jan Courtin from Port Credit Secondary School. Is that correct? Welcome. We also have Jean-François Michaud. We have two people, and I'm not sure, but I believe Madame Courtin will be presenting on behalf of the school.

You have up to five minutes for an opening statement. Welcome, and thanks for coming.

**Ms. Jan Courtin (Principal, Port Credit Secondary School):** Thank you very much for the opportunity to speak to you today about the SciTech regional program at Port Credit Secondary School. I am very pleased that J.F. could join me. J.F. is the head of technology at the school, and certainly a driving force in terms of getting it off the ground.

We are in our second year of this regional program at Port Credit, so we have just grade 9 and grade 10 students. As the principal of the school, I spent well over a year with my staff planning and, should I say, plotting to get it off the ground, because we really had to do this on our own and get it through the board and the board's approval. Because it's regional, any student in Peel can apply for the program. We take under a hundred students per year into the grade 9 level.

The board did support us in terms of giving us \$3.8 million worth of refurbishments to our building to accommodate the program, but we are not funded in any way for equipment purchase or for the general running of the program.

To be successful, we need industry partners. We have approached 125 companies. While I'm running a school, this is a challenge. We do not, as yet, have an industry partner, but we're still looking. We need cash and we need in-kind donations to make our program viable.

Our clientele consists of students in both applied and academic streams. That means the hands-on learners who will go straight to work, to apprenticeship training, or to college; and the academically focused students who want to be engineers, scientists, and doctors.

Why did we create this program? There's a need for leading-edge secondary school programs with links to industry and academia. Of skilled trade workers, 52% will retire in the next ten years. A machinist makes more than \$100,000 a year, but we can't fill those jobs because kids aren't taking that kind of training. We need to build better pathways for students, and we have to sell those pathways both to the parents and the students.

We have a high school drop-out rate in Ontario that has been reported to be as high as 32%. Our goal at Port Credit Secondary School is to build a stellar, cutting-edge manufacturing program that will give students a firm grounding for a manufacturing career. We want to build awareness in students and parents that manufacturing is a highly viable career path. It is not dingy, dark, and dirty; it's high-tech and it's essential work, and we need to put this in front of kids and parents. In the academic component of our program, we want our students to be accepted to any college or university they choose for post-graduate training in the sciences.

Obviously we need partnerships, and we have academic partnerships. We are partnered with the Department of Aerospace Engineering at Ryerson University. Why did Ryerson partner with us? They currently get first-year students who are wonderful mathematicians but aren't that great at writing a concise report. They want students who have both math and literacy skills. Ryerson works with us on backward design, integrating the Ryerson curriculum of their first-year program into our senior program. Ryerson wants high school graduates who are well grounded in math, physics, chemistry, computer science, and technical writing. Such grounding will equip our graduates with the tools they need to excel not only in aerospace engineering but in many other technical fields.

We are also partnered with Sheridan Institute of Technology and Advanced Learning in Brampton. That's much more geared to the manufacturing component.

• (1820)

So we want to provide a strong technical background for our students. Collaboration with post-secondary institutions allows us to develop in our students the tools they need for success in a range of technical careers. Funding and partnerships are our key issues. Bake sales won't cut it. We need industry to step up and partner with us, providing input into curriculum, providing co-op placements and funding us for equipment purchases. Then we can provide our kids with the solid foundation for a future in manufacturing, science, and technology.

**The Chair:** Thank you very much, Ms. Courtin. We'll go now to questions from the members.

I will just let the witnesses know that there will be questions. The first round will be six minutes each.

So perhaps we could have you be as brief as possible in your responses. If one question is asked of you and another one of you would like to comment, just make it clear to me and I will ensure that you come forward.

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

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

Witnesses, again, thank you for being here this evening and making your time flexible for us.

As you know, we have now been tasked for the past nine months, almost since the House of Commons came back, and we have been working as best we could to try to provide recommendations to Parliament and to the government that would help modernize our perspective as it relates to manufacturing. We are indeed getting quite a bit of information, which I think will be very helpful. And we are getting themes constantly coming back to us.

Today we have a bit of a different perspective from all of you, and I want to thank you for that.

First of all, Ms. Courtin, with the work you're doing at that very important level.

We've heard from many manufacturers that it's a question of skills, and I think as we go further west into Edmonton, into the chair's riding, Mr. Rajotte's riding, we may find out just how important it is to have students going towards skills.

I'm wondering if you have found, as you've contrasted the number, the percentage of drop-outs, this program itself is having some success—the partnering and the awareness of the program. I know that within the CME it's a great, well-known program that you're putting forth for those at a very young age. How widespread is it known throughout the school system that there is this possibility of bringing kids into this stream of education?

In my view, if I'm looking at my average constituent, those who have trades make a hell of a lot more than do those of us with shirts and ties.

**Ms. Jan Courtin:** In fact, because our program is only two years old, it does take time for the word to spread. I think we're really going to see the numbers come in when we have a full four-year

program that is partnered with industry, that does have the equipment we need, that does have the funding we need. To a degree, we launched this on pure guts, with smoke and mirrors. I knew I didn't have the money to buy what I needed, but because I believed in the program, I knew we would get there.

I have 800 people expected at my information night, which will take place on November 28 at the school. I had about that number last year. It could be higher this year. So the interest is there. People are keen to see what it's about and to apply.

Again, I take under 100 students per year. My goal is to have two academic classes and two applied classes in the grade 9 stream. My feeling is that the grade 9 applied—that would be, say, a group of about 50 kids, then—would be moving forward in the manufacturing pathway. So that's what we're shooting for.

• (1825)

**Hon. Dan McTeague:** Thank you.

Mr. Church and Mr. Hattin, neither of you has raised per se the challenges that you're facing from China. I'm looking at the recommendations you made, Mr. Hattin, but at Mr. Church's as well. Both of you have said it has a lot to do with innovation, it has a lot to do with the perspective the company takes, and you look at yourself through your own responsibility. What has been the key to your success?

I note, Mr. Church, you talked about some problems with respect to disincentives here in Canada, things like land being too expensive. You were, I guess, with Champion tractors in Goderich. I wouldn't suspect that the land was very expensive down there, being an old Seaforth boy myself, for many generations back. You say the customer base in Canada is shrinking. Can you expand on that?

**Mr. Art Church:** Yes. I think the problem is nobody's fault. You have the bigger plants consuming the smaller plants, and some of that work is going south, especially in a downturn. I think some of our Canadian customers have suffered from the inability to respond to the dollar quickly enough. Especially with multinationals, they have the ability to redirect product. That product gets redirected and the reason for us to be close to them goes away. We have that with several customers here in Canada. So it's nobody's fault, but it's the way it is.

**Hon. Dan McTeague:** We want to make sure you get those jobs back here in Canada, as well as greater investments.

Mr. Hattin, your company has been successful. What kinds of innovations have you been involved with that have allowed your company to flourish?

**Mr. Robert Hattin:** Speaking to Mr. Church's point, we're involved and lean and going down that path. I think really just having a broader understanding, certainly for smaller companies, of terms like "global supply chain" and all this other stuff and understanding how those mechanisms work is just as important as whether or not you know how to weld certain steel together or whatever it is. The kinds of things that people need to know to fully participate in manufacturing are very broad now.

I guess I have a slightly different take on it than Mr. Church does. I think it's absolutely critical to create those or have those kinds of projects or businesses, whether it's infrastructure or whatever. If we were building more roads in Canada, Champion might be more valued up here.

When we were a war economy, Canada was doing very well because, certainly, of demographics and the need for certain things. Because we're established, we chase our customers, as he does, down to the States. Because we're established, we can do that. But if you're not established, why would someone start a business up in Canada, only to chase a customer that's somewhere else? That, in a relationship, is just fundamental, and that's why we celebrate the Toyota plants, the Honda plants, and things like that.

So really there are two levels. To get started, there is no reason for being a small manufacturing company.... As he said, there's every incentive.... I get calls every week. Please come to Georgia. We love you. We'll give you money. Just hire our people. And they're quite skilled people. So again, if you don't have the markets here, the business here, there is no reason for making things here unless you're already established and have your workforce.

**The Chair:** Thank you.

Thank you, Mr. McTeague. We'll now go to Monsieur Crête *pour cinq minutes*.

[Translation]

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

Mr. Hattin, you made an interesting comment about the value of the dollar in your submission. Everywhere we went, people were talking about the very rapid rise in the Canadian dollar and the fact that this has created major problems from a competitiveness standpoint. Most businesses had been guaranteed that the inherent value of the insurance policies that they had acquired would remain relatively stable. However, contracts are now ending and most of these companies find themselves face to face with the reality of the rising dollar.

I'd like you to elaborate further on the following statement that you made: "Government can provide off-sets to domestic manufacturers equivalent to the amount being subsidized by the manipulated currency". Are you referring perhaps to China's currency? Could you explain that statement further to me?

• (1830)

[English]

**Mr. Robert Hattin:** The currency thing is a very interesting question. I met with David Dodge and six other people about this thing. Basically Canada has a tier-two currency in that we follow

other things. We're not the master. We can't control the U.S. currency or the yuan.

What I'm referring to here, though, is that the rapid rise of the Canadian dollar makes it very difficult for Canadian companies to adjust. No amount of futures or options, straddles, and all that other stuff is going to protect you from it. And it goes to what Mr. Church said. You must be very good at what you do in order to mitigate those effects. I think as we see all the wealth coming in from the oil side—there's a windfall there—obviously there are other industries being affected. There has to be some sort of offset somewhere to possibly iron out those things, those effects, and that's really what I'm referring to.

In terms of the Chinese yuan, we're a flea on the tail of the dog, going for the ride.

[Translation]

**Mr. Paul Crête:** Could the off-set be equivalent to the loans awarded to SMEs? The government guarantees loans to SMEs, thereby allowing them to benefit from a lower interest rate.

With respect to fluctuations in the value of the dollar, would you prefer to see things go in this direction? Or, do you go along with the general findings, namely that there are really no intervention means, aside from meeting with the Governor of the Bank of Canada as often as possible in an effort to influence him so that he takes into account factors other than controlling inflation?

[English]

**Mr. Robert Hattin:** I think that Mr. Dodge's approach is correct in controlling inflation and that we don't have much influence on the value of the Canadian dollar, but I think we can lend our voice to the other countries to say that the Chinese currency has to float; it has to reflect the true value of it.

The problem I have is that we are using...and certainly it's the American policy—they're using cheap goods from China to offset the rising price of gasoline that they pump out of east Texas. I'm not an economist. I don't understand how that works. There is some sort of dysfunctionality in that whole process.

Again, Mr. Church had it right in that companies have to take care of themselves, but if I move down to the States, I don't have a currency issue.

[Translation]

**Mr. Paul Crête:** Would you care to comment?

[English]

**Mr. Art Church:** I think one point that needs to be really clear on this currency matter is that it is a worldwide thing. The U.S. was in terrible shape five years ago because of the high U.S. dollar. Our customers were in hard shape then. Now the dollar has dropped, and the euro is high. It's actually a welcome relief for us, because we don't have competition from Europe anymore.

I really think people who zero in on this currency thing like it's a big deal need to take the longer view. We go forward with our dollar; we always protected our business, and I think more companies need to do that, but somehow companies don't know what to do. They're good at complaining, but they don't know what to do.

That's probably not what I should be saying here, but—

[Translation]

**Mr. Paul Crête:** You maintain that they don't know what to do or have no concrete proposals. I'm simply trying to understand this issue.

In your opinion, what concrete action could be taken to address this issue?

• (1835)

[English]

**Mr. Art Church:** What I believe is that if we're going to be successful, we need good, well-trained management. I'm in a consortium called the HPM Consortium. I told members in my company, in this consortium, to protect the dollar, to do this, to do that, but they didn't. I think the fittest survive, and I don't know what the government can do about it, but I think if the government can encourage better management, better training, and that sort of thing, so as to have more skilled business managers in our country, our country will do better and will make better decisions.

[Translation]

**Mr. Paul Crête:** As a matter of fact, Ms. Courtin, you did make a suggestion concerning manpower training. The same conclusion is being drawn in Quebec and in several other provinces. A career in science is a little like the career of a relief pitcher. One succeeds because someone else has dropped out or turned to something else.

Do you think we need to take action similar to what was done to increase milk consumption or to reduce tobacco consumption, for example, real comprehensive action to get people to understand that careers are at stake in this sector?

You defend your program, but I understand that this is the reality everyone must contend with. Do you share my views and what action do you think should be taken?

**Ms. Jan Courtin:** We're not alone in facing this reality. As you said, everyone must contend with it.

[English]

I'm a little more comfortable with English, so I will use English to respond to you.

The ministry in Ontario is very aware that we need to establish a broader range of pathways for students, and I think it's all about education of everybody. I think the government is actively involved in that.

It's not just us, it's not just our little area; it's everywhere in Canada that we need to have a wider range of opportunities for students. You're completely right about that.

**Mr. Jean-François Michaud (Head of Business & Technology Department, Port Credit Secondary School):** I just want to add something to your question there.

In Peel there are there are about a million people. I forget how many students there are in Peel, but there are 32 high schools in the Peel board. Out of 32 high schools, five teach manufacturing. Out of those five, I can guarantee you for sure that two consider manufacturing to be wood products—not metal, not plastics, not anything like that. I don't think there's one high school in Peel, other than our school, that teaches anything about plastics.

You have to look at the population. Five classes on manufacturing is what, a couple of hundred students? What are we doing? People are complaining about skills. If you look at any board in Ontario, I think you're going to find the same problem.

As well, the equipment in those shops is obsolete. I'm 46 years old, and in many of the shops the equipment is the same thing that was there when I was in high school. So we need to upgrade the technology and we need to upgrade the skills. We need to spend money to make money.

**The Chair:** Thank you, Mr. Crête.

We'll go to Mr. Carrie.

**Mr. Colin Carrie (Oshawa, CPC):** Thank you very much, Mr. Chair, and I want to thank all the witnesses for being here today.

I want to direct my line of questioning to Ms. Courtin. I'm really excited about what you're saying here today, because many of our witnesses from the manufacturing sector have been saying that we need to concentrate on human resources. Immigration is a part of it, but we really have to get our act together domestically and start getting kids interested. We had a witness from General Motors and from the University of Ontario Institute of Technology in Oshawa this morning, and one of the things they said is that manufacturing just isn't sexy and people aren't going into it. They think there could be dirty factories. We were in a fantastic factory this afternoon. It's the cleanest factory I've ever seen.

What are you seeing? You had 800 people coming to your open house last year. Obviously parents are interested. What are they saying about your program? What are they saying once they talk to you?

**Ms. Jan Courtin:** It's fair to say that there is a lot more choice now for people looking for a high school, and going to high school is a really big step in a child's life. The parents do shop around, and we have a number of regional programs in the board, so that's part of the reason so many people come out. It's also fair to say that the parents who want the best for their kids and have been pushing their kids since they were born really want their kids to go to university and be engineers and scientists and doctors and what have you. I wanted to attract, as I said earlier, two classes worth of kids who are the hands-on learners who may go to college, may do apprenticeships, and so on.

What I'm finding is that I'm getting more interest on the part of those academically driven students, and that's why I'm of the belief that if we can get the right partner and we can get the right profile and the right attention, we can build this. It's like saying build this and they will come, because there is a need. When I look at those hands-on learners who are bored—and I'm sorry, because I love Shakespeare—with Shakespeare, they want that hands-on learning.

So if you get my drift, it's one piece at a time, and I know you want to jump in. Thanks.

• (1840)

**Mr. Jean-François Michaud:** One of the earlier gentlemen said that we have to increase immigration and make it easier for people to come to Canada. I couldn't agree more with that gentleman, but there's a problem that happens with the second generation. The people who immigrate to Canada are skilled tradespeople. They have all kinds of skills and brains. They don't want their kids to be skilled people or tradespeople. They want their kids to be lawyers and doctors and so on. So what happens is the second generation from these people end up not having any skills, so we have to start looking at growing skills within Canada so that these people can carry the traditions on.

**Mr. Colin Carrie:** That leads to my next question. I was wondering who you have approached, because I've had the opportunity to talk to companies in other jurisdictions and other countries. What they do actually is have schools linked right with their organizations, and as you said with respect to the equipment issue, for example, they'll have the up-to-date equipment working in the factory. They bring the students right over and they can see and interact with that.

Have you talked to the Canadian manufacturers and exporters? We have a couple of manufacturers here. What kind of response are you getting? Are the manufacturers actually going and talking to you about this, saying that you're doing exactly what they need and asking how they can get on board? What kind of response have you had?

**Ms. Jan Courtin:** They're always very supportive and very enthusiastic, but they don't put their money where their mouth is, quite simply. They're great to talk to; sometimes we get equipment. We've raised \$125,000, but that is mostly in kind. And I'm very grateful for that, don't get me wrong, but I need to buy equipment.

The manufacturers are supportive. Yes, they're interested, but sometimes I think they're viewing this as just one school. Maybe they're looking for leverage from the board. Well, I can't get that

from my board of education. They have various reasons. I'm sure the right one will step up.

**Mr. Jean-François Michaud:** I think one of the problems was addressed with Mr. Hattin here. He was talking about tax incentives and so on. When we approach industry, what industry is telling us is that they're paying taxes already and why should they give to our school on top of what they already pay in taxes.

The other thing we were running into is that we're at the high school level. If Mr. Hattin over here decides that he's going to invest in our school, what's the likelihood of payback for his company? Those kids are going to end up going to college or university. There's a very slim chance that one of our students will in fact end up in his business. If he's looking at it from the angle that he's investing in Canada, then yes, he will invest, but if he's looking at it as wanting return on his investment now, he's going to go to a college or a university where he's going to get instant access to an employee, and not so much look at long-term people like us, where students have to spend four or five years in college or university.

**The Chair:** Mr. Hattin, you wanted to comment.

**Mr. Robert Hattin:** Yes, we capitalists are hard that way. But I would also say there's another side to it, and we would hire people. From our side, the process or the mechanism isn't easy to do. It's very difficult to put a high school student into, let's say, a machine shop or things like that, with the liability to go along with it. We're now becoming more overregulated in who we have come in and all this other stuff. We have several college students, and we do hire high school students, but do you know what? Just the extra responsibility to do it and the red tape becomes an impediment. I think all of us try to do our best.

But speaking to the skilled trades issue and transition, there is a bit of an image issue, and business has to take that on. But as you saw, there are many businesses out there. I've often said to my CME peers that what we really need is the equivalent of CSI, because if you look at all the people who say, "Hey I want to do that," you're trying to vie for their hearts and minds. The thing is, it is true that the image is a little bit tainted, but really, most people in manufacturing are running something kind of interesting, not doing drudgery.

But I'd like to speak to my friend from Quebec. Yesterday we had a peer of mine from a customer company come up—my friend Eric, who is a customer. He had to move, and again, to reinforce the point, unless businesses or governments help to attract people.... This gentleman, who was educated in a CEGEP, and his wife, who is trained as a nurse, ended up following their company down to the States. So we train these people, basically we subsidize expense, and then they follow the multinationals. That's an unfortunate burden when in fact we should be attracting people because it's sexy, interesting, and well-paying.

• (1845)

**The Chair:** We'll go to Mr. Masse, for six minutes.

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

Thank you for coming.

I'll start with Mr. Church. I thought it was interesting that in your presentation you mentioned that you're opening up a plant in Indiana. Why Indiana and not Canada? What were the decisions you made to open up operations there as opposed to somewhere in southern Ontario?

**Mr. Art Church:** It's not Canada's fault. My customer is in Indiana. I have customers in Indiana. They want me to be close to them, and I'm opening up a plant there.

The reason I brought it up is that I'm trying to help. What about the company that has a customer in Canada? Is the Canadian environment also trying to help? We were going to Indiana anyway, and I'll tell you, they still did everything they could to get us there. Partly it's because they're hungry, and partly they've had a lot of bad news in the U.S. and a lot of plants closing. But it's competition.

**Mr. Brian Masse:** It's an important part, though. You mentioned that they're giving \$1 million in grants. But you're still going down there because your customer base is down there, so that's in the decision-making. What type of grant systems are they applying down there that you could access?

**Mr. Art Church:** There's good and bad. It's not all a great story. They give you special loans, but the problem is that the paperwork exceeds the cost of the loans. So we actually declined the loans, because it's just not worth it.

However, they do provide a lot of money for training. I'm abuzz on training, and I just believe that in the end the well-trained are the ones who are going to win. So there's a lot of money there.

I'd like to make one other point, that Canada is a good place to be. We have good people. We have a good company here. We have good customers. This isn't like we're bad; it's just that we have tougher competition other places.

**Mr. Brian Masse:** I understand that, but it's important.

We just came from a tour of a plant that is very successful. They're asking for accelerated writeoffs as well, but at the end of the presentation, they're still moving operations elsewhere because they want to be closer to their customer base, which seems to trump everything.

With regard to that in terms of accelerated writeoffs, it does seem to be one of the things that can be done. I've seen it in my area,

Windsor West, where we have a tool-and-die mould industry. When a company goes under, they can be bought out by another international company that actually has an operating business that's viable, but they shut it down just to get the equipment and they ship it overseas. If we move towards accelerated writeoffs, what types of guarantees could we get from industry that the writeoff would stay in the country for, I guess, the duration of time?

**Mr. Art Church:** I'm the wrong guy to put that question to.

**Mr. Robert Hattin:** It's really simple. Again, it's all about wanting to grow it here, but there's a penalty if you're going to be one of the sunset industries that go away. If you give it, therefore you can take it away.

Maybe speaking on the educational side here, the other thing we're seeing is that we'll have to retrain older employees, and that maybe high schools or colleges will need to take on the new market of the older person who's going there from 9 a.m. to 3 p.m. as well, because that's the other thing. We're missing a lot of these skills. A lot of our aerospace skills have gone. A lot of our heavy manufacturing skills have gone. It's like the Avro Arrow; they all went south and put people on the moon.

• (1850)

**Mr. Brian Masse:** Ms. Courtin, I used to work with youth at risk and employment training for years, so I have a lot of empathy for what you're going through when you have individuals who want to participate in the program. You probably spend a lot of your time going around trying to get the support, as opposed to where the energy should be, in developing the programming. With that, one of the things I've heard from a lot of youth who are going through some of the training programs we have in our community is that they do find a job at the end of it, but the job's not long enough to pay down their student debt. There's insecurity about that.

If it's not going to come from the province, do you have any specific suggestions in terms of the federal government to allow you to access some type of support system? Do you have any specifics in terms of what the federal government...? You're kind of in a provincial jurisdiction here, but have you thought about whether it would be some type of specific assistance or whether it would be a program—I guess they've cut the student program back a bit—where it could be targeted if there was a new one? What specific things federally do you think we could do?

**Ms. Jan Courtin:** Are you referring to post-secondary debt, when the students get into debt when they go to their post-graduate—?

**Mr. Brian Masse:** Yes. As they funnel through their careers, they're looking at this now.

**Ms. Jan Courtin:** I really do focus on the high school experience, and I know that my students often will take an extra year off simply to earn the money to go to college or university. They don't have enough, very often, but certainly anything you can do to provide more open access for loans to students would be appreciated.

**Mr. Jean-François Michaud:** I completed three apprenticeships in my career before I became a teacher, and I think the biggest struggle for me was the fact that I couldn't get any incentives. As an auto mechanic, I couldn't write off my tools. I couldn't do any of those things. Snap-On was nice enough to grant me a loan at 18%. But we need to be able to write off some of the tools. We need to be able to write off some of our expenses, like businesses do, so we can afford to go to school.

The other thing is that when I went through my apprenticeships, I was on unemployment insurance, and that was a big cut-back in my pay cheque. So we need to look at also standardizing the wages to some degree so that companies know what to expect when they hire an apprentice.

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

We have three members left for questions. We have about 10 minutes, so I would ask members to be short. That would be helpful.

Mr. McTeague first.

**Hon. Dan McTeague:** I will be very brief. I want to make sure my other colleagues, all of them, have a chance to ask a question.

Perhaps I could come back to you, Ms. Courtin and Mr. Michaud. You mentioned people having to take off a year to make money in order to go to school.

The House of Commons, a week and a half ago, passed my private member's bill to second reading in the committee that would make RESPs tax deductible. That would catch a large number of people. Frighteningly, no media has talked about this, but I know this will have a fairly important impact on what you are seeking. It's not a perfect solution, but it falls hand in glove with what Mr. Hattin was saying, that we have to be innovative and we have to move as quickly as we can.

How difficult is it, in your mind, for young students, notwithstanding the work you're doing at the high school level, to get access to higher education right now in this province, with the tuition fees coming off the freeze?

**Ms. Jan Courtin:** I think that would make a big improvement. I think it would be more accessible and would be very helpful. In terms of the percentage of my student body that would fit into that category, I would say maybe 25% of my students right now can't afford to go.

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

I'll go to Mr. Van Kesteren.

**Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC):** Thank you all for coming here. I have questions for all three, so you'll have to give me a quick answer.

Mr. Church, when did you start moving operations to the United States?

**Mr. Art Church:** That's not what I said. Eight years ago we were at \$50 million; today we're at \$250 million. We've actually grown in Canada; we've added a plant here in Canada, but we have not grown the way...all of our growth is mostly in the U.S. This is not an anti-Canadian situation.

**Mr. Dave Van Kesteren:** I need to know, because this is what we've been hearing. Would you agree that lower taxes and fewer regulations would encourage businesses to stay in Canada?

• (1855)

**Mr. Art Church:** My manufacturing friends are going to kill me. I don't know; people have been saying that for years and years. There's a more fundamental problem: we have to be more competitive.

**Mr. Dave Van Kesteren:** That's a move in the right direction.

**Mr. Art Church:** Yes, I'll take it.

**Mr. Dave Van Kesteren:** Is it safe to say the current government's recent decision on income trusts really didn't result in any clear decision to move to the United States?

**Mr. Art Church:** No. I didn't say we were moving to the United States. What I'm saying is that we have an environment in Canada that's an unpredictable world for business.

**Mr. Dave Van Kesteren:** But that particular didn't have any bearing on what's happening in your business with the United States.

**Mr. Art Church:** No, but I'll tell you one thing. I own this business—you're looking at the owner and the CEO—and we are based in Canada. The head office is here; the profits from my U.S. operations come back here and also get taxed. I have to think about what to do.

**Mr. Dave Van Kesteren:** I have a few more questions.

Point number two is this. Mr. Hattin, I like what you're saying. We talked about that this morning. The roads in this country are deplorable. We have to do something.

**Mr. Robert Hattin:** It took me two hours to get here from Hamilton—40 kilometres. In my day, I could have run it if I were a long-distance runner.

**Mr. Dave Van Kesteren:** But you have to agree that's going to take an enormous amount of capital.

**Mr. Robert Hattin:** Sure.

**Mr. Dave Van Kesteren:** So investing in a sleeper economy like income trusts certainly isn't going to help us. Would you agree that's going to be counterproductive to doing those things?

**Mr. Art Church:** My point was not about the income trust thing. My point was grandfathering it, and that equals what I call stability. The government should have said that from now on we're not doing that anymore, retroactively causing collapses in values and everything else. It's a very scary concept to people who invest and own.

**Mr. Dave Van Kesteren:** We're trying to get some solutions. We're getting some great stuff from you.

Those are the challenges we face as a government. We're also hearing from immigration, you're right. That's a big problem. I don't know if anybody asked the question. Have you any ideas? We're competing with the Americans.

**Mr. Robert Hattin:** Bring in half a million people a year, and we'll go out and recruit them. Someone is going to say, oh my God, we're already bringing in 225,000 people; that's half a million people. It's in my dissertation here. Between now and the year 2050, half the world's population growth is going to come from nine countries, eight of which are either economically, environmentally, or politically unstable. The only one is the U.S.A., and if we don't get younger and bigger to at least defend our borders, it's going to be a real issue, so that's why I'm big on immigration. Bring in half a million people.

**Mr. Dave Van Kesteren:** That's a good recommendation to go and make recruitment lines. Go to these countries and try to recruit them.

**Mr. Robert Hattin:** Right. They're doing it to our people and we're subsidizing.

**Mr. Dave Van Kesteren:** You're right, this is very difficult. The Americans are doing it, the Europeans are doing it, so we need to be more aggressive.

Mr. Church.

**Mr. Art Church:** Get the right 250,000.

**Mr. Dave Van Kesteren:** I have less than a minute.

Just quickly, we have a real problem today, for instance, with literacy. We're spending millions of dollars because kids are coming out of school who can't read and write. Now, are you still focusing on those kinds of issues, so we're not losing those students? Just tell me that we're not.

**Ms. Jan Courtin:** When I got to Port Credit in January 2003, 68% of our grade 10 students passed the literacy test. This past year, 86% passed.

**Mr. Dave Van Kesteren:** Fantastic. I applaud you.

**Mr. Jean-François Michaud:** There's another language we need to teach, and it's called technical literacy. She talked about Shakespeare; we have to talk about report writing and other things.

**Mr. Dave Van Kesteren:** We don't want to have to spend millions and millions of dollars on a job that should have been happening in school.

**Ms. Jan Courtin:** We're very focused on literacy, but that wasn't on my agenda tonight.

**The Chair:** Thank you.

We'll go finally to Mr. Vincent.

[*Translation*]

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

Thank you for joining us today and for making such interesting presentations.

My question is directed to Mr. Church. You concluded your preamble by saying that if Canada wanted a manufacturing sector, then you had some advice to give. We'd like to hear that advice.

[*English*]

**Mr. Art Church:** My recommendation is very similar to the way you run a business. If you decide you want a strong business, you work backwards from there. If this country wants to have

manufacturing as what we call our strategic advantage—if it does, versus resources or whatever—then what we have to do strategically, I think, is support it.

In the company, what we do is train our people in lean technology and that sort of thing, because we know that's going to make us competitive. If this country wants to have competitive manufacturing, that's where the focus needs to be: to encourage it. I think that's really important.

Number two is that somehow—and I realize the federal government doesn't have a lot of play in some of these areas, because it's provincial or local or whatever—as a country we have to welcome manufacturing companies. I would like to be welcomed to be in Canada, to stay in Canada, to grow in Canada. Just because I'm human, I sort of like that, and it's nice to be courted by those other guys.

But I think if we want to be successful here—and I'm a Canadian and I want us to be successful—we have to get off our duffs and start to go after this and really encourage it. Maybe it's money, maybe it's just attitude—and then, it's training and having the skilled people.

I realize there's no simple answer, but I do believe Canada has to decide: do we or don't we want to be in the manufacturing game? Then we work backwards from there.

• (1900)

**The Chair:** Mr. Hattin.

**Mr. Robert Hattin:** Manufacturing in Canada makes a lot of sense, for one thing because we have such a bounty of natural resources. We have wood, iron ore—all the things that make it right. For us not to be in those transformational businesses, where we take a lump of coal and turn it into coke, turn it into steel, turn it into a car, turn it into an engine.... It makes sense; it's here. For us to dig it up and ship it somewhere else is the wrong way to go. Manufacturing does make sense, because of the valued-added and the spin-offs it brings.

**The Chair:** Thank you very much, members, for keeping your questions so brief.

Thank you very much to the witnesses for coming in, especially at this time. As Mr. Hattin said, I'm sure many of you had to drive a long way to get here. We experienced Highways 401 and 427 coming in as well, which was quite an experience, especially for those of us from western Canada.

Thank you very much for your presentations. If there's anything further you'd like the committee to think about prior to our report, likely being issued in mid-December, please pass it on to the clerk.

Thank you all for your time and your presentations here tonight. We appreciate them.

We're going to have a brief suspension of the sitting and we will ask the other witnesses who are in the room to come forward to the table.

Thank you.

**Ms. Jan Courtin:** Thank you for the opportunity.

- \_\_\_\_\_ (Pause) \_\_\_\_\_
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- (1905)

**The Chair:** We are resuming our two-hour session here tonight. This is a continuation on the manufacturing sector.

We have five witnesses with us for our second hour of discussion. We'll try to keep our presentations, questions, and comments as brief as possible, in order to allow as many members as possible to speak.

We have Paul Hyatt with us, president of Superior Tire and Auto. Welcome, Mr. Hyatt.

We have from Tempress Ltd., Mr. Bill McLean, president. Welcome.

We have two guests from the Toronto Board of Trade: Mr. Jonathan Barry, senior member, economic development committee; and David Black, policy adviser. Welcome, Mr. Barry and Mr. Black.

Finally, from Celestica, we have Mr. John Sloan, vice-president of operations planning. Welcome.

Welcome to all of you.

I understand there will be four presentations. I know five minutes is a very short time, but if we could ask you to keep it within that, then we could have 20 minutes for opening statements and 40 minutes for questions and comments from the members.

We'll start with you, Mr. Hyatt, for a five-minute opening statement.

**Mr. Paul Hyatt (President, Superior Tire and Auto):** Fine. Thank you.

[*Translation*]

Good evening, ladies and gentlemen.

[*English*]

Good evening, ladies and gentlemen.

My name is Paul Hyatt. I'm president of Superior Tire and Auto in Toronto, and I'm also president of the international Tire Industry Association. I'm here tonight on behalf of the consumers of Canada.

Some vehicle manufacturers are restricting access to tools, training, and software to the automotive aftermarket industry. The increased sophistication of today's vehicles makes access to this information extremely imperative. The decision to restrict this information to independent repair facilities prevents them from repairing late-model cars effectively, eliminating consumers' choice.

The vehicle manufacturers' unwillingness to provide all necessary information to the aftermarket industry will lead to a dealership monopoly on the vehicle service and repair industry, a reduction or elimination of independent repair businesses, and ultimately a taking away of consumers' right of choice. The inability of the aftermarket to maintain and repair vehicles will eventually result in a significant dealership monopoly, with eventual evaporation of consumer choice.

I'll give you some facts to consider. The existing dealer network does not have the bay capacity to service the cars on today's roads.

Controlled auto repair by a monopoly will impact over 225,000 people employed in the aftermarket industry. Consumers will be at risk of paying higher prices in a non-competitive market, with many repairs delayed or ignored altogether, putting highway safety at risk. Consumers will be inconvenienced by increased travel time, higher waiting times, towing fees, and possible stranded vehicles. Consumers will suffer from repair delays with insufficient bay space within the dealer network.

The right to repair has little to do with parts assembly and loss of jobs in the OEM industry. Fewer choices and higher costs will increase and lead to higher vehicle emissions, being controlled now by over 30 different codes within the car, into the atmosphere, where gains have already been accomplished with regular maintenance and service. The aftermarket is primarily composed of small- and medium-sized businesses, making up over 30,000 independent repair facilities in Canada. Unemployment will cause a huge ripple, obviously across the country.

Some OEM information is obtainable through different venues—the Internet, which is limited, slow, and consumer costly; OEM sites, which are very costly, and Canadian access is denied by some OEMs; OEM-specific diagnostic tools, which are prohibitively expensive, if available; and the on-board diagnostics computer, or the OBD II, controlling hundreds of codes and diagnostics software, which may not be available to highly skilled independent technicians.

Repair shops are not asking for proprietary information, just the ability to service the consumers' cars. Repair shops are not asking for a free ride. They're willing to pay a reasonable amount for access to these codes. Oddly enough, all the OEM dealerships will require access to repair information themselves to repair other makes of vehicles when they're brought to their dealerships.

In 2008 all cars will be fitted with a tire pressure monitoring device—one of which I have in my hand—that uses tiny transmitters to inform the dashboard of tire pressures. This little device is just the tip of the iceberg when we discuss the subject of the right to repair. A flat tire, rotation, new wheels, winter tire installations: those are just a few of the problems that will cause the vehicle's dash warning light to flash permanently unless your technician can reset the system with proper codes, training, and tools.

I will also add that, from my experience, many car dealerships have little training themselves with these TPM systems. Consumers are now paying anywhere from \$60 to \$300 for each new valve sensor.

Unfortunately, the majority of the vehicle manufacturers in Canada are unwilling to negotiate an industry-led solution and have little impetus to do so. They continually design vehicles that only they can service, leaving the consumer with no choice of facility.

This is an issue that is clearly national in scope, as it has implications for every constituency in Canada. I strongly believe the Government of Canada should investigate a legislative or regulatory solution that would allow the independent automotive aftermarket to better service the consumer with access to all diagnostic and service data that's required, with tools and training for the repair and service of late-model vehicles, to restore the balance at Canadian repair facilities and protect consumers' choice.

● (1910)

There's nothing wrong with taking your car to a dealership. They provide good service and they have trained technicians. But if you go to a dealership for repairs, it should be because you want to, not because you have to.

Lastly, Canada was built on choice; it was founded on choice. We mustn't allow that to be taken away under the guise of protectionism and a controlled auto repair monopoly.

Thank you. I have notes for everyone. As soon as they're translated, you'll all get them. I didn't really have time to get it done, and I apologize.

**The Chair:** Thank you very much, Mr. Hyatt.

We'll now go to Mr. McLean.

**Mr. Bill McLean (President, Tempress Ltd.):** Good evening, ladies and gentlemen. Thank you for the opportunity to speak to the committee.

I'm Bill McLean, and I represent Tempress Ltd. Tempress Ltd. is actually a wholly owned assembly facility of a company called Grohe.

Grohe is a leading brand in the sanitary industry. As you may be able tell by the name, it's a European-based company out of Germany. It's one of the most globalized brands in the sanitary business.

We have representation in 130 countries around the world, and we are currently owned by a private equity group. We have an interesting cross-section and an international brand that is owned by a private equity, with a small assembly facility in Canada.

What are we actually doing here? It's really an interesting development of history. Tempress Ltd. was part of a company called Danfoss, which developed a pressure balancing valve. It's the valve in your shower that keeps you from being scalded when somebody flushes the toilet or turns on the dishwasher. In the mid-1990s, it actually became legislated for installation in new homes that were being built.

At that time, Grohe was developing in North America and had decided to buy a little entity called Tempress Ltd., which had a pressure balancing valve, and it was a good match. Grohe bought the small facility in Mississauga and had a good position from which to continue to grow their brand in North America.

As time evolved and the ownership structure changed, there was an opportunity to further develop the industry in North America. Being a European-based company, there was a reason to develop operations elsewhere. They looked at Tempress as a platform for growth.

Why would Tempress in Canada be a platform for growth? Our cost structure, mainly for labour, against the European cost structure is very low. If you look at CME data or a lot of the data that's out there, on an average basis, you can see we have likely one-third of the costs compared to somewhere like Germany, maybe slightly below the U.S. but significantly above low-cost countries.

We had other advantages, such as proximity to markets. We had a late differentiation of product that we could offer, and we had a currency advantage at the time.

We took an interest in development. In 2000 we started expanding the product line offering for North America. We took on new product lines in 2001, 2003, 2004, and 2005. Our business grew from basically 50 people to about 150 people currently. Obviously, everything that went with that grew: our revenues grew and our capital expenditures grew. We had a nice little development.

In the current situation, how do we sustain that growth? How do we continue to be competitive? How will we offer our company and our customers an advantage to stay here? Basically, how do we face the challenges going forward? We view our business as a way to develop solutions for our internal and external customers to provide for their success.

One of the big pieces of our puzzle is obviously cost, and manufacturing is about cost. We started to focus on lean manufacturing as a technique or as principles to drive out costs. We belong to the HPM consortium that supports this.

We must continue to focus on cost. Our currency advantage has disappeared, and a number of other structural issues in global manufacturing have changed. It puts a heavy burden on our facility here for the challenges going forward.

To me, the question is this. How does the government interface with that?

In the way I see it, countries compete on infrastructure, and that infrastructure supports the business and the economy. We need a lean infrastructure that makes doing business, whatever type of business, viable in Canada.

•(1915)

What can we do to add to a lean infrastructure in Canada? We need access to skilled people. We need technology transfers from the universities to manufacturing. We have to find better solutions for border crossing. We need to further develop our transportation infrastructure. Our roads, ports, and railroads really need some serious consideration at the government level.

Our company moves goods internationally. We buy from China, South America, and Europe, and we ship goods in through all the ports in North America. We need good infrastructure.

The final piece of the puzzle is that we need a corporate tax structure to support manufacturing investment. If you look at a corporate tax structure and divide that base into resource versus manufacturing, resource businesses really can't move. You have to get out of the ground. You have to cut the tree. But in today's environment, manufacturing companies can move, and we need a corporate infrastructure that makes it interesting to do business in Canada.

Thank you for listening. I welcome any questions.

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

I believe Mr. Barry will be presenting on behalf of the Toronto Board of Trade.

**Mr. Jonathan Barry (Senior Member, Economic Development Committee, Vice-President, Enterprise and Bell Canada, Toronto Board of Trade):** Thank you. Thanks for having me here tonight.

I am representing the Toronto Board of Trade, although I do work for Bell Canada. I'm the vice-president of enterprise for Bell Canada, and the manufacturing sector is one of the sectors I'm responsible for. I'll bring in and draw on as much experience as I can on the downturn that, in fact, even we feel through the manufacturing competitiveness. It reaches out and hits a lot of companies, including companies like Bell Canada and the whole ICT sector.

The Toronto Board of Trade is the largest local chamber of commerce in Canada. We represent a wide variety of businesses and sizes, including nearly 200 manufacturing companies. It is a key sector for the Toronto economy, and it remains a key sector. According to the Greater Toronto Marketing Alliance, manufacturing still employs roughly 470,000 people in this area. That's 19% of the total employment in the GTA. It's a major contributor.

Federal government action in support of this sector is really critical to maintaining the overall economic health of the whole GTA. It is the economic engine of the nation. Most of you would agree with that. In the city of Toronto, taxpayers alone contribute \$20 million to the tax coffers in Canada. Our manufacturers' ability to meet the competitive challenges to survive, succeed, and grow is significantly affected by the policies, and all levels of government contribute to this.

I'll focus on three areas. I'll focus on an area that we certainly talk about at Bell Canada and at the economic development committee at the Toronto Board of Trade, and that's productivity growth. I want to talk about the factors around investment, innovation, and regulation that impact on productivity growth.

Productivity growth in Canada, as you probably know, has been either low or stagnant over the last several years. It's a key area that we need to focus on. There's a well-established positive relationship—and you heard it here—between investment in equipment and technology and our capacity to become more innovative and address the productivity gap that we've been suffering from here in Canada. We need to find ways to encourage investment by the manufacturers, not only in key capital but in areas as far-reaching as ICT, in the information, communication, and technology sectors—everything that we can do to address the competitiveness of the sector.

You've heard a lot of people talk today about the workforce taxes, transportation infrastructure, investment in innovation, and regulation. We'll agree with all of those, and I'll speak to some of those specifically. But it really comes down to our overall competitiveness, which comes down to productivity growth and the relationship between how we invest in and get some benefits on productivity growth. I'll talk to some of the specific things that we would want to look at from the Toronto Board of Trade.

First, we want to look at taxes. I'm sure you've heard it before, but we do need to look at reducing corporate tax rates. We've made a lot of progress toward reducing those rates since 2000. We now have the fourth highest marginal effective tax rate in the G8, instead of the highest. That's good. However, our rate of 36.6% is still well short of the G8 average of 33.3%, so we're still not there. In the 2006 budget the government promised to get to the general corporate income tax rate down from 21% to 19%; that's between 2008 and 2010. We think that implementation period is arguably too long. The problem is now, and we need to look at it and act now. The sector needs to get competitive now. We need to do what we can, and act quickly.

We also want to look at the general corporate income tax rate, moving it from 20% in 2007 and reducing it by a percentage point in each of the following three years.

Another critical area of support for manufacturers is encouraging provinces like Ontario to have a look at the retail sales tax and at whether or not a value-added tax makes sense. We look at that because if you look at some of the notions of a value-added tax and how that can contribute to the relative price of the inputs, at least the pricing of the inputs can become more competitive, which hopefully would make us more competitive at the output end.

If you look at things like the reduction in the GST from 6% to 5%, which the government is heading toward now, how would we use that to help provinces defray those transitional costs of moving from a retail sales tax to a value-added tax? How do we use that to address some of the perceived vertical fiscal imbalance and better match some of that revenue-raising capacity and public spending responsibility?

So encouraging the provinces to integrate some of those sales tax systems with the federal value-added tax could help create a simpler, hopefully more efficient and more competitive tax regime for manufacturing.

•(1920)

On tax policy, the board believes the federal government really has to take a serious look at investments in equipment and technology. How do you address the productivity gap that I spoke about? If we look at the CCA or capital cost allowance rates, let's make sure they're truly in line with the useful economic life of those assets. In 2004 the Department of Finance study found that every dollar in tax reductions on capital costs gave us \$1.40 in long-run economic gains. Canada's economy and the federal government's finances have proven to benefit from a greater incentive to manufacturers in this key area.

Last, the best manufacturers can't succeed if they can't get their parts to market. For those of you who commented about the Highway 427 and 401, I will tell you that if I were coming up here today and were part of a just-in-time manufacturing line, I would have stopped the production line. We have to get our traffic, transit systems, and infrastructure in line, as you heard here. Getting goods to market is a critical component of any successful manufacturing capacity and any successful manufacturing business, so anything we can do to increase our transit support is good. For example, the things we've done around the sharing of the gas tax have been great; sharing the gas tax has been a good move, gratefully received, particularly here in Toronto. It's still falling short of even maintaining a good state of repair in Toronto, let alone looking at how to improve and invest in the infrastructure we need to grow.

Thank you.

**The Chair:** Thank you, Mr. Barry. Thank you very much for that.

We'll go now to Mr. Sloan. And we do want to thank you, on behalf of the committee, for changing your schedule at the last minute to be here at a different time. We appreciate that.

•(1925)

**Mr. John Sloan (Vice-President, Operations Planning, Celestica):** That was no problem. Thanks for the opportunity.

Celestica came into existence just over 10 years ago when IBM divested itself of its Canadian manufacturing operations at the corner of Don Mills and Eglinton here in Toronto. At that time we had about 1,000 people at the site, which was our single location. Since then we've grown to have 40 sites around the world. Our total workforce is approximately 55,000, and we've gone from a \$1 billion operation at that time to about \$9 billion in turnover now.

Our Canadian operation peaked at \$4 billion in output per year and 7,000 people. Now it's down to \$1 billion of annual revenue and just over 2,000 people. Our competition is global. We are in an industry where there's overcapacity.

I'm sorry, I need to explain what the company does. We are in the business of manufacturing the electronics that go inside the OEM products, and we continue to build for IBM and HP and a lot of leading-edge companies in communications and IT and consumer products. So we build for them; it's not a Celestica-branded product,

but their product. We do the manufacturing of the internal electronics, and often the finished product.

So there is overcapacity in the industry, with many strong players. The largest company in the industry is Hon Hai, a Taiwanese company with 18% market share. Celestica is number six in the industry, at just under 7% market share. So it's very fragmented, with a lot of very strong players. Eighty-five per cent of our revenue is material flow-through. We are happy to realize 6% or 7% gross on 2% or 3% net earnings, which is typical in our industry. Fifty per cent of our costs are labour. We have to compete, depending on the opportunity, by either having a unique offering or more speed in our production process than our competitors. Obviously cost is always a factor at the end of the day in our competitive structure.

Among things that would help us compete would be attracting a workforce that brings us the skills we need from day one, and there are two elements to that. One is that manufacturing is typically not the destination of choice for people coming out of our universities or community colleges, in spite of the fact that there are some great opportunities and a lot of very interesting content in engineering design—maybe not in products, but in our manufacturing processes and material management processes. Anyway, we need to attract people to come to this industry and we need to retain them. They have to come to us not just with the technical knowledge, which we find they have, but with manufacturing knowledge, which they don't have. You've heard a number of people talk about lean manufacturing or Six Sigma techniques; for us, materials management skills are critical. Those are things for which we typically have to provide the training, and it can take people a few years to get up to speed and contribute to the benefit of the company. So having people come to us with those skills is one thing that would help us be competitive.

Almost all of the material we buy is imported; it's typically all silicon of some sort, electronics of various shapes and sizes. So getting it in and out of the country expeditiously in a manner that makes the border seem transparent to us and our customers is paramount. Very little of our product stays in Canada; most of it what we build in Canada goes to the U.S. When bidding for business, often we have to convince them that doing business in Canada would be the same as if we were building for them in one of our operations in the U.S. I would say, to a large degree, that's true; we have very few problems getting things in and out of the border, but occasionally they do crop up. Sometimes it's our fault because we haven't done the documentation properly. Sometimes other factors have slowed it down, but every one of those puts a seed of doubt in our customers' minds about whether they should be doing business with us here in Canada.

•(1930)

The last thing I would talk about in the way of competitiveness is the Canadian dollar. All of our contracts are in U.S. dollars. Because the material flows in and out of the country, this kind of nets out for us. But we pay our workforce in Canadian dollars, so as the Canadian dollar rises, we need more U.S. dollars to pay that part of our expenses. To some degree the dollar going up and down is a fact of life, and there are pluses and minuses, but it is a factor for us that we have to keep in mind as we try to improve the competitiveness of our Canadian operations.

So in net, it's having a workforce that can hit the ground running for us through the curriculum in our schools, having borders that are transparent to us and our customers, and having a Canadian dollar that doesn't put us at too much of a disadvantage in our competitiveness here in the Canadian operations.

Thank you.

**The Chair:** Thank you very much, Mr. Sloan.

We will now go into the first round of six minutes of questions and comments, and because there are five witnesses, we encourage you to be brief. If you do want to respond to a question, just make yourself known to me and I will endeavour to have you answer.

We'll go now to Mr. McTeague for six minutes.

**Hon. Dan McTeague:** Chair, thank you.

I want to thank the witnesses as well for coming here this late to make their time available to us. We believe this is a very important issue, probably the most important facing the country today.

I noted that none of you mentioned, and perhaps this is a trend within the GTA, that there is not the real overarching concern—and I don't mean to minimize it—about reimportation, the bringing in of goods at much cheaper prices to menace your industry. I leave that as an observation, but I think it's something that we are certainly noticing here.

I was very interested in your comments, Mr. Hyatt, with respect to the right to repair and the restrictions on the ability. I take it that this is a new direction by many of the companies, but I wanted to ask you and you didn't cite which ones. I was most concerned about the fact that those who are repairing in Canada had their access denied. Am I to understand that Canadian companies have not been provided with the same courtesy as companies in the United States?

**Mr. Paul Hyatt:** That's correct. When you phone over, much of their network is through the Internet, of course, and some of our IP addresses will not be accepted into their websites.

**Hon. Dan McTeague:** Can you cite examples of a company that has done this?

**Mr. Paul Hyatt:** I could name Ford and Honda; they're all large companies.

**Hon. Dan McTeague:** Yes.

The committee is looking at the issue of intellectual property, perhaps not today but in the wider context of manufacturing. It seems to me that those of us who are concerned about copyright and about the privilege of companies being able to ensure that their

product remains... This may be a bit of a stretch, and it's an example that there are limits to where the intention by some of us is going.

Could you give me an idea of when you believe this started? You cited the tire example. I was very interested in that because I know that if I'm not mistaken, most tires go 60,000 or 70,000 kilometres, which is one-eighth the lifetime of a vehicle—certainly of a vehicle that I might drive. Considering that this is the case, from a consumer critic's perspective, I'm extremely disheartened to know that I don't have that choice.

When did this practice begin? And why are they not offering you the opportunity of at least paying a royalty for access to their product?

**Mr. Paul Hyatt:** That's a concern. In the last few years, car companies have not really made the profit margins that they wanted on new cars, so now they're concentrating more on service. I think we're all aware of that.

Unfortunately they are now designing cars that only they can service, which puts the consumer at a very large disadvantage. This is very interesting because of two things. Number one, the General Motors, Fords, and so on of the world will also have to have that information from Honda and so on to repair cars.

So it started a few years ago, and it increases every year. For instance, in 2008 these will all be on every vehicle. So it continues.

**Hon. Dan McTeague:** I am astounded. I think if Canadians knew there are companies treating American repair shops differently from Canadian ones, they would be aghast. We've heard from some car companies who want harmonization in terms of standards and regulations. It would appear to me that this test may be failing some of those companies, and perhaps a nice, quick little letter might solve the situation.

But I want to deal with that specifically, because obviously I have a lot more people in my riding who are mechanics or are repairing products than people who are retailing or marketing the products. Having had a bit of an experience with one of the companies you just cited, I am deeply concerned, and I think it would be incumbent on this committee to look at this issue a lot more intensely, if we can.

Could you please give me an idea about where this will lead in two, three, or four years from now? If you're saying that this practice will continue into 2008, and many of the companies jump in, how do you see your industry? Would this be the death knell of your industry, including the tire and the tire repair industry?

•(1935)

**Mr. Paul Hyatt:** That's true. Our business has been here for 65 years, which we're celebrating this year, and we're very proud of that. Our stores are very well equipped, and our training programs, which come through TIA, the Tire Industry Association, are the best in the world. We travel all around the world to give these training programs. Our technicians are well trained. We have the most up-to-date equipment. There are times when we are locked out and cannot go further with a repair. This is happening more and more often.

I was going to suggest to you a little earlier that I envision, somewhere down the line—and this has to do more with Oshawa and Oakville and Windsor—that an Asian company will be coming in and saying that they will offer thousands of service points whereas their competitors will give several hundred service points. Which car would you buy? That's the trend that's coming, and I fear for some jobs in Canada on the OEM side.

**The Chair:** You have 30 seconds.

**Hon. Dan McTeague:** This is to your colleague beside you, Mr. McLean.

I know how expensive it is to grow a product. I know the quality that's behind it, and I know, of course, something about temperature control valves, especially when my wife does, in fact, flush the toilet downstairs and I'm in the shower.

I want to ask you specifically whether you are concerned about imports—cheaper imports—and products that may be inferior that may go into products, such as the question of stainless steel. Are these all locally sourced?

**The Chair:** Answer just briefly, Mr. McLean.

**Mr. Bill McLean:** Very briefly, yes, we do see, first of all, knock-off imports exactly copying our products, which we chase back through the proper channels. And we do source our materials locally—our stainless steels and brasses. We buy heavily in North America. But we do see goods come in that are copies of ours or inferior products that try to replicate the standards that are required.

**The Chair:** Thank you.

We'll go now to Monsieur Crête.

[*Translation*]

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

My question is for Mr. Barry.

The Canadian economy is currently experiencing strong growth, mainly because of the western energy and oil sector. Conversely, the manufacturing sector in Quebec and Ontario seems to be struggling with growth.

Could you share with us your vision of the state of the manufacturing sector in Canada?

**Mr. Jonathan Barry:** That's a good question.

[*English*]

I would like to see our manufacturing sector in Ontario and in Quebec able to compete. I'm going to use an anecdote for you concerning one of the customers I have in my base who I deal with a lot, and it's been in the press. It's Maple Leaf Foods.

If you look at Maple Leaf Foods, they're very significantly in the hog business in Canada. They are the biggest producer in Canada and one of the biggest in the world. They had a crisis in their hog business. They couldn't compete on a global basis. And the only way they could end up competing was by sizing their hog business to relate back to their value chain, which goes up, as you know. And all of us, as consumers, in the grocery stores see Maple Leaf ham or related products.

I use that example because that's an example of a company that looked at the value-added areas in their entire value chain and saw that they could compete only where they had control of the value chain all the way up to the consumer, to what you and I buy. So on a global basis, in their hog business, which is purely Canadian and is perhaps the best example I've seen, the hog is born here, bred here and fed here; the feed is grown here; all the drugs are produced here, and in fact most of them are owned by Maple Leaf Foods and related organizations. It is gate to plate, truly. The fact that we can't compete on a gate-to-plate basis in that business is a concern to me.

The good news out of that is that they sized it and got to the value added. So a long way of answering what my vision would be is to say that I think we need to focus on the value-added areas within manufacturing where we truly can compete. What are the areas where we can enhance and invest and foster investment in our manufacturers along the supply chain, where we can truly make a different product or differentiate a product that's going to get to market profitably in Canada?

• (1940)

[*Translation*]

**Mr. Paul Crête:** Let me be more specific.

Current economic growth in Canada — or at least the public image of that growth — has resulted in what is known as “Dutch Disease” effect. I don't know if you are familiar with that expression. Increases in a country's oil prices can produce some adverse effects.

Do you feel that Canada is taking the right steps at this time to ensure that the economy as a whole shares in the benefits stemming from this growth? Could a greater effort be made to ensure that the manufacturing sector in Ontario, Quebec and the Maritimes, for example, derives greater benefits from the growth currently being enjoyed by the West? Like me, do you recognize that there is a problem here?

[*English*]

**Mr. Jonathan Barry:** No, I think Ontario and Quebec are significantly struggling right now. Certainly my colleague in Quebec would absolutely agree with me. In fact, we don't even have a manufacturing sector in Quebec anymore. The business was in Bell Canada or the focus business. It's had significant impact. I think there absolutely is growth out west, and that's great, but I don't know that I see it being shared across the country and I certainly don't see it in the manufacturing sector in Ontario and Quebec.

I do think we need to do things. Some of the things we talked about today are things we absolutely have to address to help get us focused on the competitiveness of the sector and do what we can to foster some of that competitiveness on a global basis.

[*Translation*]

**Mr. Paul Crête:** Mr. Hyatt, I believe that we already met in Ottawa to discuss this matter, although I can't be certain of that.

Could you explain to us again how it is that in the United States, an agreement was concluded between companies and other users of computer equipment, such as yourself, while in Canada, no such agreement was reached?

Why were different approaches taken and what lessons should we draw from this experience?

[*English*]

**Mr. Paul Hyatt:** An association called ASA made an agreement with the manufacturers, and it was a handshake agreement. There was no enforcement, and the OEM people give what they must give. However, they are forced to give by the EPA all emission codes. They're not forced to do this in Canada, so the States are ahead of us in that respect.

They are championing the Motor Vehicle Owners' Right to Repair Act of 2005 in the States, and it was before the House committee. Unfortunately, they had an election and the Democrats were put in and the chair of that committee now is the representative from Detroit. I think it's on the back burner at this point.

We feel a handshake agreement is not correct. It's not good for the consumers, because the consumers are still locked out.

[*Translation*]

**Mr. Paul Crête:** Thank you.

[*English*]

**The Chair:** Mr. Carrie, for six minutes.

**Mr. Colin Carrie:** Thank you very much, Mr. Chair, and I'd like to thank all of the witnesses for coming here this evening.

My first question is to Mr. Sloan. You mentioned that you do have a significant amount of exporting to the United States. Do you have a problem with any regulatory harmonization issues between Canada and the United States in your industry?

**Mr. John Sloan:** No, actually, we don't. That hasn't been an influence for us either in our operations or anywhere in the business. It's simply been the ease of getting things back and forth for the day-to-day border operations.

**Mr. Colin Carrie:** You mentioned attracting and maintaining human resources. What are your ideas on how the federal government could fit in to help you maintain and attract people to your company?

**Mr. John Sloan:** There are probably three areas.

I said that manufacturing is not normally a destination of choice for our professionals when they get out of school, but as far as raising the stature of that part of our economy goes, a large percentage still has a lot of beneficial effects that it spreads through the economy. Raising the stature of manufacture as part of our total engine would be helpful. There are a lot of people who can participate in that. But certainly making it more public that the federal government is even interested in that instead of having given up on it would help, I think.

Secondly, to the degree that we shape the curriculum in the schools to produce people who understand manufacturing economics and what we need to do to be competitive—which is more than just the technical skills, it's things like lean manufacturing, as we talked

about earlier—if there were some incentives or assistance we could give to the universities to include that in their curriculum, that would certainly be helpful.

• (1945)

**Mr. Colin Carrie:** Okay.

**Mr. John Sloan:** Then as a large part of our workforce, we try to bring students in. We have a large program in which we bring in students after the third year of university. They stay with us for 16 months. They take a year off school for an internship program. Part of that is to help them put a little money in their pockets so they can finish school, and part of it is to expose them to our business and our industry in the hopes that we can attract them in the long term. That's an investment on our part, because when they come in, we have to put a lot of time and effort into training them. If we could get help with the expense of that part of our workforce solution, that would be helpful also.

**Mr. Colin Carrie:** Thank you very much.

My next question is for Mr. Barry.

One of the things we've heard about is the paper burden that businesses face. I wonder if you have heard of a government program called BizPaL.

**Mr. Jonathan Barry:** Personally, I haven't. No.

**Mr. Colin Carrie:** There is a new program. Actually 15 municipalities are going to be taking advantage of it over the next few months. The federal government is launching that to help streamline the permit process. Maybe that's something we could talk a little bit more about for Toronto.

You also mentioned the concept of the provincial value-added tax. Could you elaborate on what exactly you mean? You touched on that, but none of our other witnesses actually mentioned that specifically, and I'd like to know a little more about that idea.

**Mr. Jonathan Barry:** I'll preface it by saying I'm certainly no expert on taxation. Notionally, in New Brunswick, for example, or in the whole of Atlantic Canada, when they went to the HST, it gave an advantage on the input price, so while you're paying for retail sales tax as an input into your production processes, you harmonize the taxes around a value-added tax, and it gives you some advantage on the price or the cost of your goods going in, such that when it comes out at the other end you're more advantaged in the output price that you're able to offer to the market.

**Mr. David Black (Policy Advisor, Toronto Board of Trade):** Basically you pay a retail sales tax on your business inputs to the provincial level, but the GST allows an input tax credit. Only the end-user will pay the tax. Having a PST embedded in your production raises the cost of production. It raises the cost of your goods, because you are paying that tax throughout the value change. I would be willing to bet that Celestica pays PST on some of the products it uses in the production of its goods, its modules. It doesn't get a tax credit based on that, but it also pays GST. It gets an input tax credit on the GST, based on the value that's added.

**Mr. Colin Carrie:** You also mentioned that you don't think our tax cuts are going far enough or fast enough. Could you elaborate a little bit more on that too? Why is there such urgency?

**Mr. Jonathan Barry:** Certainly what I see—and I have anecdotes, but we have a broad enough base across the manufacturing sector in Ontario that is real—is that people are making business decisions now to shut operations. The movement at the governmental level, even to the point of showing that there is a focus and a real addressable willingness for us as a nation and as a government, as a sector, to look at and address the competitiveness issue, sends the right directional statement to business leaders. Business leaders look at that. It's a factor when we make a decision as to whether we stay or go. Even a directional change is beneficial.

•(1950)

**Mr. Colin Carrie:** The direction we're going in is the right direction. It's just not fast enough. Okay.

**The Chair:** Thank you.

Thank you, Mr. Carrie.

We'll go to Mr. Masse.

**Mr. Brian Masse:** Thank you, Mr. Chair, and thanks to the delegation for coming here tonight.

I'm going to follow that up, Mr. Barry. What specific number would be the breaking point at which you would decide to stay rather than go? In your statement you've addressed your requirements. You've asked for more money for municipalities, more money for infrastructure, a whole series of things that are going to cost money. Do we not reduce the debt? Do we cut other services? In the United States, actually, corporations in the auto sector are putting up hundreds of millions of dollars in public health care money to the government because they see that as an incentive to track and maintain their employment there, so what number is that? What we hear from people back and forth is what we decide to cut and not to cut.

**Mr. Jonathan Barry:** It's a fair question. I wish I had the answer, although the respective members probably have a lot better balance on it than I do when we address it in our specific microcosm. I don't have a panacea or an answer for you.

I can tell you that what we look at as the crisis, if you want to call it that, is that people are closing and shutting down, and we're losing jobs. Those decisions are being made, and if we can do something to show directionally the right impetus to these people, that will impact us when we make business decisions. I see that from my colleagues or from the people we work with in the industry, so I know you're addressing me with a fair question. I don't have a good answer for you, unfortunately.

**Mr. Brian Masse:** I don't think anybody really does. It's strategic in terms of where I think we ought to go to support, because other countries are doing that.

Maybe I can ask Mr. McLean a question. Boy, I wish your pressure balancing valve had been available when I was in residence in university; it would have saved a lot of grief, not only for me but for other people.

You talked about infrastructure. One thing that's happening in the Windsor-Detroit corridor.... As well, the Province of Ontario has made a request today for gateway funds based upon what's happening out in the Vancouver region. We're talking about public-private partnerships. What worries me is that, say, if on a 400-series highway or the Windsor-Detroit border we introduce toll roads or additional costs for all our traffic that goes through this region, that'll be different from, for example, Fort Erie and Buffalo, Niagara Falls, Samia, where the costs are much cheaper because they're publicly owned and operated.... The Ambassador Bridge has been making a significant profit in my region for a long time, with the investment now going back into the region. It's about 17% to 20% higher per average car, and we don't even really know the figures for transport trucks.

With that, when you talk about an infrastructure, is it something you want to be the lowest cost for the actual service delivery for all of our goods and services? You mentioned rail as well. Is it worthwhile investing in this infrastructure to lower the cost of shipping goods and services to the United States, given how many border problems there are?

**Mr. Bill McLean:** Yes, I believe we have to lower the cost to get goods across the country, whether it be east-west, or even north-south with the rail, coming in on ports, as we do, with a lot of our material. We go from port to rail and port to truck. The costs and delays to get across the Ontario region is real in our business. We can measure it with deliveries into the U.S., how long it takes to get across the roads or across the border, and that's the cost of business we're paying now.

I believe we need to invest in the infrastructure to remove that burden of cost off the transportation industry. This will flow back to the manufacturing sector and reduce the cost to move their goods. So investment in transportation infrastructure, I think, is critical for the long-term success of manufacturing in Canada.

**Mr. Brian Masse:** Mr. Crête actually brought up a good point today—it was announced a while ago—about the bioterrorism act enacted unilaterally by the United States. It is going to add another service charge to trucks, regular passenger cars, and air traffic travellers who will be going across to the United States and will be starting very soon. I think something our government has to look at is in terms of defraying that cost, this non-tariff barrier being added under the guise of national security simply because a bunch of peaches went over five years ago and had some type of problem. Tomatoes and everything else—they may see these now as threats.

Perhaps I can quickly move the rest of my time to Mr. Hyatt. I had an opportunity to actually ask some of the automakers, the larger ones, about your situation. I want to make sure it's clear for the record that it is my understanding that General Motors is actually complying and providing the information you're seeking. Is that correct?

● (1955)

**Mr. Paul Hyatt:** That is correct.

**Mr. Brian Masse:** And there's no other organization that's providing the same data. Is that correct?

**Mr. Paul Hyatt:** That is correct.

**Mr. Brian Masse:** Your story is pretty remarkable. There certainly is some information coming forth on that soon. I've done some research on it.

To Mr. McLean—

**Mr. Paul Hyatt:** If I can add to that, I've handed out—and you'll get that later—some information notes somewhat covering some of the problems that each manufacturer and each repairer has received over the last two months, where they can't go any further. That's also covered in there. It'll give you some good background information.

**Mr. Brian Masse:** Mr. McLean, you had a comment?

**Mr. Bill McLean:** Yes, a piece of personal input on this situation, having a vehicle with those sensors and having recently replaced the tires and having an issue with one of the sensors where the tire repair shop could buy the sensor—it set me back \$80, but that's okay—but they couldn't reset the system in the car. It had to go to a dealership to get reset. That was a huge inconvenience to a customer.

**Mr. Brian Masse:** I want to acknowledge this, Mr. Chair.

Mr. Sloan, I enjoyed your presentation. All the questions I had have been answered. Thank you very much.

**The Chair:** Thank you.

Mr. McTeague.

**Hon. Dan McTeague:** I do want to give my colleagues a chance, but I want to ask one more question of the Toronto Board of Trade. It seems that you're in competition with this 416 and 905, and I have a riding that straddles both, so I'm in a damned if you do, damned if you don't situation.

This is not about manufacturing, but it does deal with the question of land use. The province has gone ahead with a green belt around Toronto that, in effect, has made land prices a lot more expensive. We've heard from witnesses who've talked about the fact that prices are extremely high here. Does the board have an opinion on that?

**Mr. David Black:** The board did respond to the Ministry of Public Infrastructure Renewal's discussion paper on the Greater Golden Horseshoe, and I'd be happy to provide you with a copy of it.

**The Chair:** Thank you.

We'll go to Mr. Shipley now.

**Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC):** Thank you, Mr. Chairman, and thank you so much to the witnesses for coming out.

Mr. Hyatt, we met.... Actually, what triggered this a little bit on the aftermarket was the surprise I had that night of meeting you and others who told me about the concern with the aftermarket issue that consumers, just about everyone in Canada, will at some point in time endure in their lives. Can you help me just a little bit with what other jurisdictions are doing to get the authority to get the codes?

**Mr. Paul Hyatt:** Yes. Much of the effort in Canada is led by the AIA. The Automotive Industries Association of Canada is made up of many different automotive associations, from car repairers to ourselves, for instance, to retail organizations. They really have put a lot of statistics together to help us all understand the situation.

I come from the retail section and association area, for instance. As I mentioned, I'm president of the Tire Industry Association, which is an international association. In the United States the only association that is in agreement with what's going on is the ASA. Every other association that's involved with automotive, whether it be part of the SEMA group or part of any automotive group, is against it, and they want the right to repair act approved and passed in the House of Representatives.

We're facing a bit of an uphill battle, but we feel that.... I'm here on behalf of consumers. Our company will survive. I'm not concerned with that. We're growing. We're strong. We will survive, one way or another. But the consumers will be extremely inconvenienced. And I'm sorry, but I also see job losses on the OEM level, where the manufacturers will be inundated with, as I said earlier, cars coming in from Asian companies who say, we have thousands of service points whereas you only have 200.

**Mr. Bev Shipley:** I think the whole impact is murky. You only talked about tires. I don't know how many sensors these new vehicles will have, but it's even a matter of other areas. For instance, you can't get the car started because the sensor has been triggered, and you get a repair done on it, but you end up taking it to the manufacturer, to a dealer to get it reset. I think it's a snowball that has started, and many of us haven't realized it.

I appreciate, Mr. McTeague, the number of questions you got started on at the start of it.

● (2000)

**Mr. Paul Hyatt:** We might mention one thing. There are about 200 different codes in the computer that look after your ride, your brakes, your emissions, transmission, and so on. So all those hundreds of codes have to be recognized by the repairer. And it doesn't mean to share proprietary information; it means, here's how we fix it. Here are your diagrams. It can be done.

**Mr. Bev Shipley:** I think it's easier in large urban areas because you're likely closer to dealers. As you get out into the remote areas, obviously you're further from the dealers, which becomes a bigger issue.

Can I go to Mr. Barry? In terms of some of the issues you talked about with transportation, roads, the need.... And we've heard about the whole transportation issue, the border issue. And we have the gas tax rebate. Give us some other ideas in terms of what a federal government could look at in terms of sustainable funding for those types of infrastructures.

**Mr. Jonathan Barry:** I'm going to actually turn it over to David. He's done some work on this.

**Mr. Bev Shipley:** Okay. David.

**Mr. David Black:** In the board's federal pre-budget submission, which was put before the finance committee and will be before you momentarily—we're just waiting for the French-language translation—we're asking the federal government to commit a billion dollars from the strategic infrastructure fund to public transit every year. That can be invested across the country. That'll help to get people out of their cars.

We talk about wanting to get people out of their cars, but we have to give them a viable option. If you travel around Toronto, if you live in certain areas it will take you two hours to get to downtown Toronto. It will take you three hours to get from Mr. McTeague's riding to the Kipling subway station.

It's that type of thing that we have to deal with, so we need to invest more in transit, build more streetcars, subways, and so on. That investment will help to do that. It will get the cars off the road, which will allow more trucks to move across and around the city.

**Mr. Bev Shipley:** Thank you.

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

We'll go briefly to Monsieur Vincent.

[*Translation*]

**Mr. Robert Vincent:** I have a good question for you, Mr. Hyatt.

Supposing that in 2008, I owned a vehicle equipped with this new tire pressure monitoring device and I get a flat tire on a Sunday afternoon? What would I need to do to change the flat tire? Will my

vehicle still operate after I've removed the flat and installed the spare tire? Or, will all systems be disabled?

That's my understanding of your explanation of how the new technology will work.

[*English*]

**Mr. Paul Hyatt:** You may remove your wheel and put your spare tire on. The light in the dashboard will come on and will stay on permanently until the sensor is reset. I've often told some of our customers to use duct tape to cover up the flashing light, but that's not correct. The light has to be brought to either a store of ours or a dealer that has the means to reset the sensor. But you can change your tire and your wheel safely.

[*Translation*]

**Mr. Robert Vincent:** I see. So then, only the dash warning light will continue to flash.

[*English*]

**Mr. Paul Hyatt:** That's correct.

[*Translation*]

**Mr. Robert Vincent:** Fine then. Thank you.

[*English*]

**The Chair:** Thank you very much, gentlemen, for being with us here this evening. We appreciate your time and your presentations. Some of you mentioned that you have presentations. I understand they will be translated and distributed to the committee.

**The Clerk of the Committee (Mr. James M. Latimer):** Yes, and Mr. Black mentioned that he's going to get us an existing French one that he submitted to the client.

**The Chair:** If you have anything further to submit to the committee, we hope after this week to go into discussions in terms of the final report on manufacturing. We hope to have that completed by mid-December to give to the finance minister for next year's budget in February or March. We'd certainly appreciate any further submissions you may have.

We thank you for your time tonight. Please stay and greet the members. We will be heading to the airport shortly to go to Windsor. Thank you very much for your time. We appreciate it.

The meeting is adjourned.







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