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**EVIDENCE**

**Wednesday, May 30, 2007**

**Chair**

**Mr. James Rajotte**

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## Standing Committee on Industry, Science and Technology

Wednesday, May 30, 2007

• (1545)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** Good afternoon, ladies and gentlemen. This is the 64th meeting of the Standing Committee on Industry, Science and Technology. We are discussing here, pursuant to Standing Order 81(4), the main estimates for 2007-08.

I just want to remind members that under the orders they have before them, all of the main estimates are listed on the agenda and are referred to this committee, but the minister is here to answer the estimates and the votes under “Industry”, which are votes 1, 5, 10, L15, L20, 25, 30, 35, 40, 45, 50, 55, 60, all the way up to 95 under “Industry”. Those are the votes that the industry minister is responsible for, and I know members will limit their questions directly to those estimates in all forms.

We do have with us today a special guest. We have the Minister of Industry, the Hon. Maxime Bernier. Welcome, Minister. The minister is joined by two of his officials. He's joined by the Deputy Minister of Industry Canada, Mr. Richard Dicerni. Welcome, Mr. Dicerni. We have also visiting senior ADM, strategic policy sector, Mr. Ron Parker. Welcome, Mr. Parker, as well.

Welcome, Minister, back to the committee. You have about 10 minutes for an opening statement, and then we will go directly into questions from members. We have an hour allotted for your entire time, so we will go until about 4:45.

Do you have a point of order, Mr. Brison?

**Hon. Scott Brison (Kings—Hants, Lib.):** Mr. Chair, would the minister consent to an additional 30 minutes? I know there are a lot of questions here today, and I know the minister would like to provide fulsome answers to our questions. Would he consent to an additional 30 minutes?

**Hon. Maxime Bernier (Minister of Industry):** As you know, I have a busy schedule, but I will consent to another 15 minutes.

**Hon. Scott Brison:** Okay. Thank you very much.

**An hon. member:** Hear, hear!

**The Chair:** Thank you, Minister, for being so agreeable. And thank you for showing up, Mr. Brison, by overdressing over him today. He's very jealous of this.

**Voices:** Oh, oh!

**The Chair:** Anyway, Minister, you can begin at any time for your 10-minute opening statement.

**Hon. Maxime Bernier:** Thank you, Mr. Chair.

It's very important for me to be here today. I'm pleased to be here with you. I'm pleased to be before the Standing Committee on Industry, Science and Technology. I'm happy to be here because it's all important, industry in Canada, and I know that it's important to you also.

As you said, I'm here with Richard Dicerni and Ron Parker. Richard is the deputy minister and Ron is the visiting assistant deputy minister.

[Translation]

Mr. Chairman, I am proud to say that my Department and other organizations that make up the portfolio, and for which I am accountable, have accomplished many significant achievements in the last number of months. It is these accomplishments and some future business that I would like to take the next ten minutes to talk about.

[English]

Recently I was pleased to join the Prime Minister and the finance minister to release our government's new science and technology strategy. Our strategy can be summed up in two words: excellence and commercialization. Our plan builds on Canada's research excellence, and it improves the ability of researchers and entrepreneurs to turn their ideas into innovative commercial products.

As most of you know, another major undertaking has been the work we've done on telecommunications. Our government telecommunication package includes varying a CRTC decision on access to an independent voice-over-Internet protocol; issuing a policy direction to the CRTC asking them to rely on market forces to the maximum extent possible rather than regulation; establishing the framework for the CRTC and the industry to work together to develop a consumer ombudsman; and, most significantly, varying the CRTC decision on forbearance to introduce true competition to Canada's local telephone markets.

As well, I introduced Bill C-41 to further protect consumers as the telecom regulatory framework moves to a more deregulated and market-based system.

In short, we have reformed the way in which our telecommunications are regulated in Canada, and I'm proud of the work we've done on this file to date.

In all areas of our economy, our government is strongly committed to improving competitiveness and prosperity. Last November we presented an ambitious long-term plan called Advantage Canada to create a positive economic climate. In March, with Budget 2007, we started implementing major elements of that plan. To create a positive economic climate, our government delivered on elements that will work for the economy as a whole.

In Budget 2007 our government increased the capital cost allowance rate on investments for manufacturing businesses. As you know, that was one of the major recommendations of your committee, and I thank you for this recommendation. I'm proud that we followed all the important recommendations in your report.

We also, as a government, reduced the federal debt while making substantial investments in education, research, and training programs, and we put more than \$16 billion into infrastructure investments. These measures assist all industrial sectors as they are designed to drive our economy and make Canadian companies international leaders.

● (1550)

[Translation]

As you know, the Canadian aerospace and defence sector is an example of an industry that competes globally every day.

On April 2, we announced the launch of a new, transparent research and development initiative.

We came to office with a very significant piece of legislation—the government accountability bill. Accountability applies across government, as well as to Industry Canada, and specifically to a new program we have introduced, called the Strategic Aerospace and Defence Initiative.

This is a highly transparent program based on new criteria, and aimed at promoting research and accelerating innovation in the Canadian aerospace, defence, security and space industries. This program is expected to invest \$900 million over the next five years into new projects. It will support strategic research and development, and new commercial products and services. It will result in significant spinoffs for industry, and it will be my job to ensure that those spinoffs are as positive as they can be and are linked to high technology.

[English]

While we've seen positives in the aerospace and defence sectors, the North American automobile sector is experiencing some challenges. Despite these challenges, the Canadian auto sector continues to attract billions of dollars in new investment and new product mandates. Last year, Ontario automobile plants produced more cars and trucks than any other auto-making region in North America. Canadian auto workers are consistently noted for the quality of the cars they make.

Another area we are watching closely is our forest products sector. Canada's forest products industry is an integral part of our nation's economy. Our government is working closely with the industry to enhance opportunities for this sector. We will help the industry grow offshore markets, promote value-added manufacturing, and help protect it from the growing threat of forest pests.

[Translation]

The manufacturing sector is also facing its own challenges. Although there have been job losses in this sector, as I was saying earlier, those job losses have been offset in many regions by strong job gains—jobs that are full-time and pay well. So far this year, close to 153,000 new jobs have been created in Canada. Our unemployment rate is 6.1 per cent, an historic 33-year low.

Yesterday, our government, along with Canadian manufacturers and exporters, responded in a very positive way to the recommendations made by your Committee on manufacturing. We are now taking action to help manufacturers. In Budget 2007, we came forward with measures to address the short-term priorities and long-term competitive needs of this industry sector.

● (1555)

[English]

Part of building a competitive and efficient economy is ensuring that goods and services can move to where there is demand. North-south trade, while vital to the Canadian economy, is not the only direction this government is looking at.

As a government, it is our goal to build a stronger Canadian economic union. I'm pleased to report the federal and provincial governments are working together on the removal of internal trade barriers. A key component of this plan is an agreement to implement full labour mobility within Canada by April 2009.

On going forward, Budget 2007 gave me the mandate to establish an independent expert panel to review Canada's competition policies. As the telecommunications policy review panel was helpful in setting a course for telecom reform, it is my hope that we will see the same types of constructive recommendations from the competition panel on how to improve the state of Canadian competitiveness.

We will soon have Bill C-47, the Olympic and Paralympic Marks Act, before this committee for your consideration. This bill will meet the Government of Canada's commitment to the International Olympic Committee to protect the Olympic and Paralympic brands. It is balanced legislation in line with what other countries have done and are doing when they host similar kinds of international sporting events.

Finally, Mr. Chairman, as an update, I'm pleased to say that Bill C-26, the payday loan legislation we introduced to help protect consumers, received royal assent on May 16. Already several provinces are passing their own consumer protection legislation to apply this exemption and regulate the payday loan industry.

[Translation]

Mr. Chairman, in closing, I'd like to thank the Committee for its diligent work these past months. I can assure Committee members that they will have my full cooperation.

I would now be very pleased to answer any questions you may have over the course of the next hour. Thank you.

**The Chair:** Thank you very much, Minister, for your presentation.

[English]

We will now go to questions from members. The first round will be six minutes. I would hope that we'll keep our questions and answers brief.

We'll start with Mr. Brison.

**Hon. Scott Brison:** Thank you, Mr. Chair.

Thanks to the minister for appearing here today, along with the public servants.

Thank you very much for being here and for your generosity in spending some extra time. We know you're busy. I often did the same thing when I was a minister appearing before committee. We appreciate it.

Minister, on May 1 in question period, you said "we did not cut the CAP funding", yet in 2006 the community access program was cut by \$6 million, which is almost 25%.

In your estimates, in part I, it says "Industry Canada is anticipating a net decrease of \$202.0 million in spending largely due to reductions" in funding. "Some of the most significant reductions include such items as: the Community Access Program".

Don't you know your estimates, Minister?

**Hon. Maxime Bernier:** Yes, and I'm pleased to report that

[Translation]

our government has pledged to work hard and provide new opportunities to all Canadians through that program. That is why we have extended it into 2007-08. We extended it because we have listened to what Canadians and parliamentarians representing all parties have said. This is an important program in remote areas that allows communities to access Internet. Therefore, I am very pleased to announce today that we have taken steps to ensure that this program will receive the necessary funding over the next fiscal year.

Our government has shown its commitment to this program by extending its funding. We are responding to the needs that are out there by providing funds for the coming year. I can assure you that current program recipients now know that funding is available, and will be in a position to sign contribution agreements with their partners.

As you know, government budgets are approved on an annual basis. For the time being, no decision has been made with respect to the funding of this program in future years. So, we're talking about guaranteed funding for fiscal 2007-08. As regards future years, we will be making a further assessment as part of next year's budget process.

• (1600)

[English]

**Hon. Scott Brison:** Thank you, Minister.

We'll get further clarification in terms of the amounts, but that is certainly a reversal from the position at the time of the budget. Thank you.

I have another question on broadband, which is particularly important for rural and small-town Canada. The capacity to compete in the 21st century is predicated on high-speed Internet. Why is there a \$21 million cut in the broadband for rural and northern development program as part of your estimates?

[Translation]

**Hon. Maxime Bernier:** There are a number of government initiatives in place which help rural and remote areas access broadband service. These initiatives are greatly appreciated by Canadians as a whole.

In 2002, we launched a pilot project to provide broadband service as part of a rural and northern development plan. That pilot, which relied on the participation of the private sector, local communities and municipalities, was aimed at helping communities access broadband service, where it was not currently available.

That program ended on March 31, 2007, and it was a success. Indeed, we helped more than 900 communities develop a broadband infrastructure. Approximately 2,000 Canadian communities still have very limited access to broadband. However, I can assure you that for the 900 communities that have been able to access this program in recent years, it has been a major success.

However, the program was clearly designed to be a pilot project. The Government of Canada has developed new complementary programs to facilitate access to broadband service. I am thinking here of a specific program which partly replaces the one that has now ended. The National Satellite Initiative is a project that was developed jointly by a number of federal government agencies, with a view to providing satellite capacity at an affordable price, so that broadband service can be made available to communities in remote areas and in the Far North. As a result of this initiative, people living in the Far North will now have access to broadband service.

[English]

**Hon. Scott Brison:** Minister, if it was a successful program, I'd suggest you should build it into a national broadband strategy, as recommended by the TPRP report in fact. If it was a successful pilot, it ought to become part of a national broadband strategy. That would be consistent with the TPRP recommendations.

On rural phone rates, Minister, on February 19 you told this committee that deregulation “will result in better prices and lower service costs”. That’s not the case for rural and remote customers. In fact, the CRTC announcement on April 30 made it clear that rural customers would be paying more. In fact, the CRTC is going to be covering the higher costs of rural services through higher prices.

The Federal Communications Commission in the U.S. has undertaken measures to offset these costs in rural communities, in small-town communities. Will you be offsetting these costs with an explicit subsidy or some similar approach to the United States’ Federal Communications Commission in order to cover the increased phone costs for rural Canada that have resulted from your deregulation of phone services?

[Translation]

**Hon. Maxime Bernier:** The premise of your question is quite correct. As you stated, the Canadian Radio-Television and Telecommunications Commission, or CRTC, issued new rules on April 30, 2007. It is important to point out that these are not government rules. The CRTC brought in these new rules in order to regulate the rates being charged by large telephone companies for local telephone service.

That decision resulted in a system whereby prices are now capped. The CRTC has updated the former price cap system set up four years ago. The price cap method is a method of regulation designed to reproduce free market conditions. Finally, the CRTC has allowed telephone companies to increase their prices in rural areas, based on the Consumer Price Index and the annual inflation rate. So, the regulations have now been updated.

We want people living in remote areas, as well as those in large urban centres, to benefit from low cost telephone service. As a result of this ruling, costs remain very competitive in remote areas.

Having said that, I cannot make any further comment with respect to this CRTC ruling. As you know, under section 12 of the Telecommunications Act, the Governor in Council may amend or overturn a CRTC ruling. Groups have 90 days to appeal a decision to the Governor in Council. If there is an appeal, we will carry out the needed analysis and make a decision in this regard, at the appropriate time.

• (1605)

[English]

**The Chair:** Thank you.

Thank you, Mr. Brison.

We will go to Madame Brunelle, please.

[Translation]

**Ms. Paule Brunelle (Trois-Rivières, BQ):** Good afternoon, Minister. I am very pleased to be meeting with you here for the first time. I would like to talk about the Quebec economy, which you are very familiar with.

We know, speaking in very general terms, that it is characterized by a large number of high-tech industries, on the one hand, and some low-tech industries, on the other. As regards the high-tech industries, competition from other industrialized countries is causing some

major problems. Indeed, Canada is providing too little support, in my opinion, for research, development and innovation, unlike its competitors in other countries.

As regards the low-tech industries which, in many cases, are part of the manufacturing sector, the current situation is really quite discouraging. Some 130,000 jobs have been lost in the manufacturing sector. Two days ago, the Canadian Labour Congress organized a demonstration. People are realizing that the situation is absolutely catastrophic. These lost jobs affect the lives of many people and their families. As far as we are concerned, solutions have to be found.

It is unfortunate that since you came to office, 65,000 manufacturing jobs have been lost in Quebec. Since the beginning of the year, the situation has not improved. We are now talking about a loss of 10,000 jobs a month in Quebec in that particular sector. It’s a disaster. You are fully aware of the situation; you know what is going on.

Does that mean your policy has been a complete failure and that you should simply acknowledge that fact? More generally, I would ask you this: when do you plan to implement a truly proactive industrial policy?

**Hon. Maxime Bernier:** Thank you for those questions. My answer will address three specific points.

The first part of your question dealt with the Government of Canada’s science and technology policy, which we announced several weeks ago. You are right that we need to promote science, technology and innovation in Canada. That is the reason why we launched a new strategy, which has been well received by the various stakeholders, both by entrepreneurs and by the research and academic communities.

That policy is now on a solid footing because we have set funding priorities for research in the environmental sector, which is important to all Canadians, in the health sector, in the natural resources sector and several others as well. Thus we have targeted research in Canada to ensure that it jibes with what Canadians want and with their priorities in the different industry sectors. We wanted to ensure that this basic research could continue to develop and be of practical use to entrepreneurs and business people in Canada. Our policy is intended to ensure that the research comes out of the labs and flows to the entrepreneurs’ drafting tables, so that it can ultimately be translated into commercial products to be sold all across the planet.

So, we have launched this new policy and I can tell you that during the summer, we will continue our discussions with the stakeholders, and with entrepreneurs, to ensure that it is well understood, and that they are aware of our government’s priorities.

With respect to the manufacturing sector, which you referred to in the second part of your question, I would first like to commend you, in the Bloc Québécois, for supporting our last budget, unlike the Liberal Party and the NDP, who did not support our budget. We have delivered the goods with respect to manufacturing, as a unanimous report was released here by all members—by the NDP, the Liberals and the Conservatives—with respect to the challenges the manufacturing sector is currently facing and some possible solutions. Those solutions were brought forward by this government in the last budget, and that is why I believe congratulations are in order. You acted on the basis of your convictions as a party, unlike some of our other colleagues.

Having said that, the policy being what it is, the important thing for us is to promote the manufacturing sector, and that is what we have done. One of the major recommendations the Committee made was for an accelerated capital cost allowance for new investments in equipment and production assets. We did that over a two-year period, as the Committee and the manufacturing industry had suggested.

Why is this an important measure? Because it allows the industry to amortize equipment over a shorter period and, thus, have better cash flow, thereby allowing companies to invest in and purchase modern equipment in order to remain competitive. As you know, that initiative has received very strong support from Perrin Beatty, who represents Canadian Manufacturers and Exporters. He told us that we are a government that listens to the manufacturing industry and takes the necessary action. So, this has meant that this industry will now be receiving the support it requires.

Is the manufacturing industry doing well in Canada? No. It is a fact that the manufacturing industry here is facing challenges. In your report, you identified one of those challenges, which is the very high Canadian dollar, which results in...

• (1610)

[English]

**The Chair:** Minister, I'm sorry, we're—

[Translation]

**Hon. Maxime Bernier:** I will just end on this point.

[English]

**The Chair:** Yes, just briefly. We're over time.

**Hon. Maxime Bernier:** I just want to say that the Canadian dollar has an impact on industry, and the best way to deal with it is to be sure that all of industry has some money in its pockets. Lowering the taxes as we did in the last budget will give more money to industry and entrepreneurs to allow them to invest in new equipment and be more productive.

Thank you.

**The Chair:** Merci.

We'll go now to Mr. Van Kesteren.

**Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC):** Mr. Chair, I'll be sharing my time with Mr. Shipley.

Thank you, Minister, for appearing before us. I'm just reading in your introduction that you are planning to implement full labour

mobility within Canada by April 2009. That's very encouraging. I commend you on your action, and I hope you are successful.

My question has to do with competitiveness. I think it's safe to say that the state of our nation's economy depends largely on our level of competition. In Budget 2007 you were given a mandate to create an expert panel on competitiveness that will make recommendations on how Canada can improve its competitive advantage globally.

Can you tell us why our government has placed such a high priority on fostering a competitive environment for Canadian companies to succeed?

**Hon. Maxime Bernier:** Thank you for your question.

The reason we did that is that our government listened to Canadians and entrepreneurs. What the entrepreneurs told us was that they have too much government in their pockets and too much government on their backs.

What we did was lower taxes for our businesses. We're also going to work on the regulatory framework in this country to be sure that when we have regulation, if it's needed, we'll have efficient regulation or smart regulation. We're working on that.

I think that's important for the competitiveness of our businesses. If they have more money in their pockets, they're going to be able to invest this money in better equipment and be able to compete and create jobs and wealth in this country.

As you know, we as politicians don't create jobs and we don't create wealth in this country. It's the entrepreneurs who create jobs. Bureaucrats also don't create jobs. What we can do to be sure we have job creation in this country is put forward the best environment for businesses, and that's what we did in the last budget.

For this reason, I want to thank the committee for what you did. You listened to manufacturers when they were here and you made a very good report, and we as government, I can assure you, are following your recommendations. Most of the recommendations have been adopted by our government, and we're working on some of them. It was a very important step, and I want to congratulate all colleagues at the table for this very important report.

On the other point you asked about, concerning the competition panel, as you know, there was a commitment in our budget. We said in the budget that the competition policies in this country have an impact on the growth of entrepreneurs and the creation of wealth in the country. We want to be sure that all policies this government has in place will favour competition; we believe it's important to have competition.

As you know, the definition of competition is very simple: business must be able to compete in a market and compete for a market. We want to be sure we won't have any policies that will work against that. We want to be sure that the framework and all the policies we adopt as a government will be good for businesses and will help them compete for a certain market.

It's an important decision that we have taken. I can let you know that this panel will be settled as soon as possible. They're going to have to give their recommendations before the next budget, and as soon as we receive the recommendations they will be public. We'll have a debate, and I will study all their recommendations. We may have recommendations on foreign ownership, on competition legislation, competition policy, and on a lot of subjects that may involve a threat to competition.

This panel, I can assure you, will have hearings all across the country. Our goal is to have the same kind of panel as we put in place in the telecom forum. As you know, I received a report from a telecom expert panel and acted on it. I want to have the same kind of panel. They'll hold hearings, and they're going to have an independent secretariat. They're going to listen, and after that they'll give a report to the government. This report will be public. You will have time in this committee to hold some hearings on it if you want, and after that the government will act. We want to be sure this government has the best policies to foster the competitiveness of our enterprise in this country.

• (1615)

**Mr. Dave Van Kesteren:** I'm going to continue.

How much time do I have?

**The Chair:** Three seconds.

**Mr. Dave Van Kesteren:** That more or less wraps up what we've been saying. Concerning the report, which we spent a considerable amount of time with, first of all, the areas you moved in obviously went right across the country, and we see that now there's going to be some cooperation between the provinces. I can take it, then, that as a result of our report you've taken many of our recommendations and are putting them to work.

**Hon. Maxime Bernier:** Yes, I think you're right.

The report you did was very serious and efficient for us as a government. I did a press conference yesterday with Perrin Beatty and the manufacturers and other associations, who said it was a very good report. It's your work, as a committee, and you can be proud of that, because all of industry is behind your report, and also the government. It's an example of how we can work in this committee very efficiently, so I want to thank you.

**The Chair:** Thank you, Mr. Van Kesteren.

We'll go to Mr. Masse, please.

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

Thank you, Mr. Minister, for appearing here today.

With regard to recommendation 1 of the report the committee reported to you, the capital cost reduction allowance, the

recommendation was five years plus a five-year renewal pending an investigation. Why are you only doing two years?

[Translation]

**Hon. Maxime Bernier:** As a government, we have decided to give businesses an opportunity to amortize their new investments in equipment and machinery over a two-year period; you are absolutely right. The cost of that measure is nevertheless quite high: \$1.3 billion over three years. We want to see what kind of impact it has over the medium term. Entrepreneurs and business people have commended us on this new measure. Why? Because by amortizing their equipment as a result of this new initiative, they will now be in a position to purchase new equipment.

There has been a lot of discussion about the rise in the Canadian dollar. That is having quite an impact, one that can have negative repercussions for Canadian businesses. However, there is also a positive side to a strong Canadian dollar. Entrepreneurs buying new equipment in order to be more productive often look overseas or to other countries for that purpose. The strength of the Canadian dollar now means they can acquire that equipment at a better price. So, that is one of the upsides to a high Canadian dollar that is sometimes forgotten.

• (1620)

[English]

**Mr. Brian Masse:** I understand that, Mr. Minister, but my question asked why you chose two years as opposed to five years. Is it a cost factor? Is it an ideological factor? I'm asking the reason for bringing it to two years from five years, and what analysis was done in terms of the impact on the industry? It's as simple as that.

I understand the value of it. We all debated that. I'm asking why you chose a different path to what we recommended.

[Translation]

**Hon. Maxime Bernier:** We decided on a two-year period for a fairly obvious reason. As you just stated in your question, the cost of this measure is \$1.3 billion. This is a first in Canada, and we want to ensure that it has the desired effects.

As you know, in every budget cycle, and for every budget the Minister of Finance prepares, consultations are always held. I can tell you that the Minister of Finance and the government will sit down, at the end of the two-year period, and listen to what the manufacturing industry has to say, what its recommendations are and all of that will be considered as part of the next budget.



However, what is important is that in relation to G-8 countries, Canada is now, as a result of this initiative, the country with the lowest tax rate on investment in business equipment and machinery. That will attract investment to Canada, and at the same time, we will not be discouraging entrepreneurs from investing in new equipment and machinery in order to become more productive. Our tax rate in that regard is the lowest of all the G-8 countries. That is something we can be proud of. I should also say that this low rate, this new tax measure, will mean that entrepreneurs will be investing more and more in equipment, and will be increasingly productive as a result.

As to your question about why we chose a two-year period, I already answered that. There was a question of cost, but once the two-year period has ended, we will be very open to discussing it with manufacturers. Indeed, there is ongoing communication with various groups in society when a budget is being prepared.

[English]

**Mr. Brian Masse:** With regard to the auto industry and the introduction of your government's decision for a feebates policy, rebating automotives, I'm wondering about the consultations with your department and also how you're going to deal with the situation.

General Motors, for example, estimates that a \$47 million benefit will go to Toyota from this plan, mostly because of the Yaris, which is not produced here in North America; it's produced overseas. They're going to have an immediate swing of \$47 million into their operations. The argument that's coming from the big three as they go through transition at this point in time is that it will allow Toyota and other companies to use that to compete against even some of their high-gas-usage vehicles at the expense of themselves.

What is your department going to do, or what do you have in place structurally to follow the feebate program and its impacts on the economy? You claim to be a free market person, but this is a direct intervention right out of the blue with very little consultation. What is your next stage and plan to deal with how this program is rolled out and its impact on the Canadian manufacturing sector in automobiles?

[Translation]

**Hon. Maxime Bernier:** To answer your question, I would first like to give you the context associated with that new program, Mr. Chairman. That program was developed following consultations with industry. I have the privilege of sitting on an industry committee with colleagues from CAPC, on which the entire automobile industry is represented. All the major auto industry players in Ontario are there, as well as my colleague from the government of Ontario. Even the unions are part of that forum. The purpose of that forum is to discuss priorities or challenges facing the auto industry.

Participants in that forum have expressed a number of their concerns to us. One of them was the fact that the movement of automotive products between Canada and the United States is currently not as efficient as it might be, because of congestion on the bridge between Windsor and Detroit. As I said earlier, we have earmarked more than \$16 billion over the next several years to resolving that problem. That will have a very positive impact on the auto industry as a whole, since the movement of goods and services between Canada and the United States will be more effective.

• (1625)

[English]

**Mr. Brian Masse:** That's if the factory is left to ship them there.

[Translation]

**Hon. Maxime Bernier:** That is something they raised with us. They also talked about the last program. The last time, they also spoke of the rebate program. That program is based on standards. It was developed in cooperation with the Minister of Transport and the Minister of Finance, in consultation with myself. It is regularly evaluated and updated. Consultations are currently underway between the auto industry and the Minister of Transport to ensure that the program will be up to date when the first new 2008 model year vehicles come onto the market. As the Minister of Finance has said, we are open to discussions. We are currently in discussion with the auto industry to ensure that upcoming models can be considered as this program is rolled out.

[English]

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

We'll go to Mr. McTeague.

[Translation]

**Hon. Dan McTeague (Pickering—Scarborough East, Lib.):** Thank you for being with us today, Minister. Allow me to thank you kindly for offering to give us 15 seconds. I will be sharing my time, so that Mr. Boshcoff can ask you a question at the end, but before he does that, I have three of my own for you. Perhaps you could then answer all four questions at the same time, if you don't mind.

[English]

Minister, in your forbearance ruling you suggested—and I think you also said this in the House—that only the largest and biggest communities would be affected, or there would be deregulation when there was a competitor presence in many of those areas. We now learn that as of the beginning of May, well over 60 communities, many of them smaller than 2,000 to 3,000 in population, i.e. rural Canada, have seen applications by the incumbents for forbearance. I'd like you to explain how your policy now works. We're clearly going beyond the big cities into small cities, in effect snuffing out small competition.

The current range of people who may be part of your expert panel on competitiveness includes members of the industry who have had a stake in the past in managing the Competition Act, like George Addy, and people who are with the oil industry, like Mr. Gwyn Morgan. I'm wondering if you have a concern about whether or not such a panel that you're putting together would have the benefit of being transparent and independent from industry.

We know that the current Competition Act was written by lawyers representing large oil companies. We also know that this committee has done a lot of work on the issue of competition policy in the past, has made several recommendations and has watered down a lot of controversial ones. I'm wondering if you'll take those up.

On the subject of copyright, you are very proud that you have implemented some of the recommendations of this committee. We have 21 others out of the 22 that we'd like you to look at when you have a moment. I don't think having one of 22 is something to be very boastful of, but it's a good start, given that there has been consensus by this committee.

What is your recommendation, and how soon will you implement the recommendation dealing with copyright legislation to make sure those who are pirating and stealing intellectual property of our goods are prosecuted?

I'll go to Mr. Boshcoff for his one question. Then we'll have the minister respond, if that's okay with you.

**The Chair:** Okay.

**Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.):** In 2005, the Liberal government increased the annual funding for the FedNor program to \$51.5 million. You'll see it on page 16.7. In August 2006, Minister Clement announced a cut in the annual funding of \$6.4 million. The funding level for FedNor is much lower than it has been in the past five years, despite the economic challenges in northern Ontario.

Can the minister explain why the FedNor budget was cut so drastically in 2006-07, in spite of the surplus it inherited, and will he restore it to the \$51.5 million?

• (1630)

[Translation]

**Hon. Maxime Bernier:** Thank you.

With respect to the first part of your question regarding the deregulation of telecommunications in the major urban centres, that process is now being managed by the CRTC.

In the forbearance ruling, as a government, we set some objective and simple criteria for the CRTC to apply. And the CRTC will be applying those criteria when a traditional phone company, such as Bell or Telus, comes forward with an application to deregulate services in a given urban centre. The criteria are that there must be competition and that the quality of service has to be maintained.

The CRTC has three months to carry out its analysis—or possibly four; I will be providing additional clarification in that regard subsequently. Following that analysis, deregulation is automatic, if the criteria are met. So, I expect people living in major urban centres, such as Montreal, Toronto, Vancouver or Halifax, to benefit from deregulation—in other words, from better offers and better prices—and that deregulation will be truly effective.

I cannot tell you when all of Canada will be deregulated, but we do expect the impact of this new policy to be felt within months. Consumers will then benefit from better products and better prices, something which is healthy for the economy as a whole.

As regards the expert panel on competition that we intend to create, I want to thank you for the names that you have suggested. I have noted them, because we are now at the point where we need to find competent individuals to be part of that expert panel. We are looking for people who are independent. As I mentioned a little earlier, their mandate will, to some extent, reflect the model used for the expert panel on telecommunications, and it will be very transparent.

I expect that expert panel to be able to put questions directly to Canadians and hear their answers, hold public hearings and, finally, carry out its work. They will be supported by the experts they have selected. This is important work that we are asking of the panel and it will not be limited only to the Competition Act; it's important to state that. There may be other statutes, other policies or other government orders that inhibit competition here in Canada, and it will be the job of that expert panel to make that known to us.

With respect to copyright, I am currently working in close cooperation with Bev Oda. We are preparing legislation to ensure that Canada can meet its international obligation to protect against infringement of copyright. Indeed, I believe it was announced this morning that the Minister of Justice will soon be tabling a bill regarding film piracy.

In some areas of the country, people now go to see movies, record them and make them available over the Internet or sell them. When we table a bill this week or next, we will be attempting to ensure that this kind of action becomes a criminal offence under the Criminal Code. We are very serious about wanting to combat forgery. In addition, there will likely be other measures brought forward through that bill on copyright which I am currently working on with Ms. Oda.

Thank you for that question, which gave me an opportunity to provide you with an update.

[English]

**The Chair:** Mr. Minister, just on the FedNor question, FedNor is technically Minister Clement's responsibility. If you or your officials would like to address that....

Would you address Mr. Boshcoff's question?

**Mr. Richard Dicerni (Deputy Minister, Department of Industry):** I would like to ask Kevin Lindsey, who is our chief financial officer, to speak to the estimates matter.

• (1635)

**Mr. Kevin Lindsey (Chief Financial Officer, Department of Industry):** Sir, I believe you referred to the historical level of \$57 million for FedNor funding. In fact, the estimates for 2007-08 do reflect approximately \$57 million for FedNor: \$20 million allocated to the community futures program, which is the historical level, and about \$37.2 million for the core FedNor program, which is about \$2 million, actually, that was allocated in 2006-07.

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

**Mr. Colin Carrie (Oshawa, CPC):** I'd like to ask one question and my colleague would like to ask one.

Mr. Minister, thank you for being here.

The question I'd like to ask you is about manufacturing. As you know, I come from Oshawa, and we had some great news today. J.D. Power and Associates again awarded the Oshawa plant number one and two for quality in North America. That was some really good news. Again, it was announced today that in mean family income in Canada, Oshawa was number two. So there's a lot of good things happening in Oshawa.

However, there are some challenges too. That's why I was so proud this past year that the committee got out and studied Canada's manufacturing sector. We put together a comprehensive but very relevant report on the challenges it faces, and I want to thank you very much for your kind remarks at the beginning of your speech.

At the press conference yesterday, something struck me, and it was praise for our government from CME's Perrin Beatty. I quote:

What's important today is that for many years the M-word wouldn't be uttered by politicians or bureaucrats. There was a sense that manufacturing was passé, but we have now brought manufacturing back to the agenda.

For many years, manufacturing was neglected, and that kind of leads us to where we are today.

I'd like to correct my colleague across the way. There was not one positive response, but we had 21 out of 22 recommendations... positive responses. Could you let us know what the government's response to a report means for workers in my riding of Oshawa?

Then there's another question from my colleague.

**Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC):** Thank you, Mr. Minister. I also want to thank you for taking the time to come.

I'll get right to my point. I think all of us here would want to applaud the science and technology file, where we have moved, and the manufacturing report that has come forward. I do want to touch on the illustration that has happened through science and technology.

One, can you please expand on our government's vision? The first part is the vision for science and technology.

Second, what is our government doing in terms of support? We have a vision; now we want to support the research and development in Canada. What are we doing? Could you expand on that a little?

Third, I think all of us agree that competitiveness and prosperity is not only our government's focus but it's also the economy. It's sort of the engine of the country. That's what hires people, that's what employs people, that's what keeps the engine going. How will our strategy for science and technology fit with that goal?

Those are three small components.

**Hon. Maxime Bernier:** Thank you for your question.

On the first part of the question, on the 22 recommendations, I can assure you this government will follow 21 recommendations over 22. I think it's an important response from the government.

In the last budget we provided tax incentives to the manufacturing sector, such as the capital cost allowance. I said that previously.

We're investing in critical infrastructure. You asked us to invest in infrastructure because it's important and it's basic. If we don't have good infrastructure, goods cannot move across this country, as well as north to south or south to north. We're going to have an investment of \$16 billion in critical infrastructure over a couple of years.

We also have a policy to improve and ensure that entrepreneurs will be able to have access to talented and skilled labour. We acknowledge that it's important.

We will be sure that the regulatory framework has an impact on entrepreneurs. If it takes time to fill out some forms and there are little details about regulation, it's not efficient. We want entrepreneurs to do what they do best, which is to create jobs and to be entrepreneurs, not to work for the federal government.

We're going to have a regulatory framework that is more competitive. We have a goal to cut the regulations in this country by 20%. I think it's something important. We want to have more efficient regulations.

We're also supporting technology, excellence, and innovation. I'm going to bridge the second question on innovation.

But before I do that, as you know, the paper burden for entrepreneurs is very important. The 20% cut is on the paper burden, not on regulation. I only want to be precise about that.

We will be supporting technology and excellence. How are we going to do that? We'll do it through the new science and technology strategy that we launched two weeks ago. I had the privilege to launch it with the Prime Minister and the finance minister.

We are investing \$9.3 billion this year, and it's another important step for our government. In Budget 2007, as a government, we've said we're going to have new investment in science and technology of up to \$1.3 billion over a couple of years. Science and technology is very important.

For your information, the most important thing in our strategy, the vision of our strategy, is very simple. Our vision is to have more innovation in this country.

What is innovation? Innovation is two things. First you must have a new idea, and, second, you must have an idea that is concrete and will solve a problem in the marketplace.

What can the government do to be sure that we have new ideas in this country? We must give the entrepreneurs all the tools they need to have, and we have the fiscal tool for that. We also want to be sure that when entrepreneurs bring new ideas into this market they are going to be able to keep the profits from these ideas in their pockets, without having to pay too much tax.

• (1640)

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

I wanted to thank Mr. Brison for bringing cookies for everyone on the committee except for me. I don't know if it's a sign about my weight or something.

Anyway, we'll move on.

Monsieur Bachand, welcome to the committee.

**Mr. Claude Bachand (Saint-Jean, BQ):** Thank you.

I want to tell you that I gave the last cookie to the minister instead of the chair. I'm sorry.

[Translation]

Now, here comes the poisoned question.

Your tone surprised me earlier, when you announced that you had brought in a \$900 million program through Technology Partnerships Canada. You were quite forceful as well when you made your comments; so, I would like you to confirm what you said. You mentioned that you will be ensuring that there are spinoffs for industry, because this is taxpayers' money.

Did I understand you correctly, in terms of both your actual words and the tone of what you said earlier?

**Hon. Maxime Bernier:** I will clarify my comments, as I may have been unclear earlier.

This is a \$900 million program to be rolled out over a five-year period. It is for research and development in the Canadian aerospace, defence, security and space industries. These industry sectors are subject to ongoing competition from other companies across the globe that also benefit from government support.

In order to support these businesses as we have done in the past, we have set up a new program under which the government will be making refundable contributions to the aerospace industries. This is a more transparent program, because the refunds will be put up on the Internet twice a year. The former program had come under quite a lot of criticism because of its lack of transparency.

Under this new program, refunds of monies allocated to the aerospace and defence industries will be carried out over a shorter period—an average of 15 years, as opposed to 22 or 23 years. In addition, these refunds will be based on the profitability of the individual company, rather than on the success of the initial R&D funding.

We are proud of this program. The fact is a government rarely receives congratulations from the Canadian Taxpayers Federation.

• (1645)

[English]

The Canadian taxpayers association says it is a good program, it's transparent, and they're going to be able to follow this.

They are also sure that the investment this government is making for the industry will be profitable for all Canadians.

[Translation]

**Mr. Claude Bachand:** Fine.

Minister, I find your behaviour contradictory. You do not apply the same philosophy to economic spinoffs associated with military procurement in the aerospace industry. Some \$14 billion in contracts have been announced for the aerospace industry. I am referring to the C-17s, Chinooks and Lockheed Martin, not to mentioned the research and development aircraft that may be coming on stream.

Why have you taken such a firm stance with respect to the \$900 million, when you are letting Boeing and Lockheed Martin decide how to invest the money they're receiving? I would remind you that we are talking about military procurement contracts in the amount of \$14 billion, that are also being paid for with taxpayers' money. And yet, you have not applied the same philosophy. You will be distributing that \$900 million all across Canada, whereas for these military procurement contracts, you are leaving it up to people in the industry to decide what they want to do with the money.

It seems to me that the \$900 million you referred to is almost a consolation prize, compared to the economic spinoffs that are being lost in Canada, particularly in Quebec. Quebec should have received \$8.4 billion, because 60 per cent of the industries are located there.

So, there is a double standard here. As a Quebecker, I have a lot of trouble with that, because Quebeckers are the ones who are losing out. At the same time, you are a Quebecker. You should understand what this means. You should be standing firm to defend Quebec, but you are not.

**Hon. Maxime Bernier:** I am pleased to say...

**Mr. Claude Bachand:** I told you it was a poisoned cookie.

**Hon. Maxime Bernier:** I am pleased to be able to say that I stand up every day to defend Canadians and Quebeckers, and that I advocate the purchase of military equipment, by Quebeckers and Canadians, that jibes with our needs. We are not about to send our Armed Forces personnel overseas to fight for democracy and human rights without giving them the equipment they need.

Military procurement results in industrial spinoffs. Without that procurement, there are no economic spinoffs. I just want to point out to my colleague that the Bloc Québécois' program does not advocate either military procurement or a strong Canadian army presence. So, if we relied on your program, no investments whatsoever would be made and there would be no economic spinoffs.

**Mr. Claude Bachand:** Does that mean you should just sit back and twiddle your thumbs, and say you're against investing in Quebec? That just doesn't work. Quebeckers are paying 25 per cent of the cost of that equipment.

**Hon. Maxime Bernier:** I'm coming to that. Let me finish my answer.

We believe in the military, and we said that during the election campaign. We are just doing what we told Canadians we would do. We are investing in the Canadian Armed Forces, but at the same time, we are ensuring that every dollar that is invested abroad to purchase equipment or aircraft such as the Boeings or Lockheed Martins will produce a dollar of economic spinoffs here in Canada. Are we giving priority to one region over another? Are we engaging in political interference? No.

Those economic spinoffs will be on merit. Unlike you, I am confident that the aerospace industry in Montreal and Quebec generally will succeed in properly positioning itself. Indeed, I meet regularly with representatives of that industry. In a few weeks time, I will be heading to Paris, at the head of a Canadian mission that includes business people from every region of the country. That mission has three specific goals. We want to ensure that there will be foreign investments in Canada in the aerospace and defence industries. So, we need to ensure that the parent corporations of these companies in Canada can choose Canada for their projects and that our businesses can use their know-how with Lockheed Martin and Boeing in relation to specific procurement contracts. I will be acting as facilitator between Quebec and Canadian companies and those that have won contracts.

I want to ensure that companies here in Canada benefit from this military procurement. And they will benefit, because our policy will be respected. And I want you to know that all major industrialized countries have such a policy. The companies we are awarding contracts to are used to providing economic spinoffs. And there will be positive economic spinoffs for Canada over a long period of time.

• (1650)

[English]

**The Chair:** Thank you.

We'll go to Mr. Arthur.

[Translation]

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

Good afternoon, Minister. Having spent 35 years of my life trying to make a living in an industry that is very tightly regulated by the Canadian government and the CRTC, and having noted that, in terms of broadcasting, CRTC regulations have pulled us into a spiral of large company monopolies and service of increasingly lower quality, at the expense of radio and television artists and sponsors, I was particularly proud and happy to support your plan to deregulate local telephone service, as well as the CRTC directive that market forces be allowed to operate wherever possible. You don't need to convince me that this is a useful measure. I believe it was not only an essential move, but a courageous one.

Mr. Brison talked about how difficult it is to provide telephone service at lower cost in rural areas. There is no connection between the two issues, and constantly harping on the CRTC ruling of April 30, which was made in accordance with current legislation and in the absence of deregulation, is unreasonable, in my view.

Mr. Bernier, have you attempted to forecast when the major Canadian markets will start to benefit from deregulation? Our anglophone colleagues have a habit of saying “the proof of the

cooking is in the pudding”, and I would therefore like to know when the results of deregulation will become clear.

**Hon. Maxime Bernier:** Thank you for your question. I am very pleased to have received your support for deregulation of local telephone service. Canadian consumers are already benefiting from that deregulation. Why? Because we have done away with regulations relating to winback offers.

In a capitalist, free-enterprise system, businesses operating in all industry sectors must have the right to offer their products and promote those products. These regulations prevented some telephone industry players, when they lost a client, from making a counteroffer. They had to wait several months. Those regulations were contrary to the interests of consumers, because when someone decided to leave a company, that same company could not make him a better offer. As a result, the consumer ended up paying a little more.

Since our reforms were introduced last April, those regulations are no longer on the books. I can assure you that in the major urban centres, when a Canadian consumer decides to stop dealing with a former monopoly in order to give his business to another industry player, he is offered benefits that he would not have received otherwise. Ultimately, the consumer is free to stay with the former monopoly or deal with a competitor. There is competition in the urban centres, which has a direct impact on prices and on the product offer. When a company is able to make a counteroffer, that counteroffer is not necessarily based on price; it may have more to do with the quality of its various services.

So, there is an immediate impact on consumers. To my knowledge, several large companies have asked that local services be deregulated in the major urban centres. I can tell you with absolute certainty that at least one urban centre's market in Canada will be deregulated before the end of the year. In the coming months, we will gradually see that deregulation occurring in the major urban centres. Before the end of this year, we should be seeing the benefits of increased competition in the urban centres.

• (1655)

**Mr. André Arthur:** You may conduct some quite lengthy studies—and I hope you will—on how to reduce the administrative and bureaucratic burden for businesses, so that they can be more competitive and more profitable. However, there is one very simple way of tackling that issue: cut back Statistics Canada's ability to harass businesses by repeatedly asking them questions and getting them to fill out questionnaires.

Are you able to give us assurances today that Statistics Canada's budget for such activities will be curtailed?

[English]

**The Chair:** Okay, Monsieur Arthur, *question*.

Just a brief response, Minister.

[Translation]

**Hon. Maxime Bernier:** I can assure you, as one representative of a responsible government, that expenditures are made on the basis of Canadians' priorities. We will take a look at Statistics Canada's budget, along with the budgets of all other government organizations, as part of the rigorous annual analysis involved in preparing a budget and determining the budgets to be allocated to the different departments.

[English]

**The Chair:** Mr. Masse.

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

Mr. Minister, the Canadian Tourism Commission did not receive any new allocated funding in the estimates. We've been facing a crisis in tourism. We're down to 1972 levels in terms of vehicular traffic from the United States coming over to Canada. That's hitting many communities in Ontario, British Columbia, even Nova Scotia, especially with the western hemisphere travel initiative coming into play—that's the passport requirement—and the utter confusion that's out there. There are several laws that actually have been put in play in the United States, but there is still no final resolution as to what's going to happen and timelines and deadlines, aside from the original one, which is implementation very soon.

So given the fact that we have had such a challenge with regard to tourism, why are we not looking at providing the appropriate funds for the Canadian Tourism Commission to at least market to the American markets in a way that's effective? This is a state-sponsored structural change between our two nations, by the introduction of passports. Why has there been literally silence from your department to provide the appropriate resources to deal with this issue?

[Translation]

**Hon. Maxime Bernier:** Tourism is extremely important. Our government is conscious of that fact, because I am lucky to have the assistance of Mr. Gerry Ritz, the Secretary of State for Small Business and Tourism. He regularly consults his colleagues in the provinces, as I did back in December of 2006, when I met with all the ministers responsible for tourism in Canada. They were pleased to know that in 2005-06, our government had invested more than \$400 million in the tourism industry.

Following my meeting with the provincial ministers, Mr. Ritz also had discussions with his colleagues about the challenges currently facing the tourism industry. We agreed that the 2010 Winter Olympic Games, which will be taking place here in Canada, are a very important event. We believe that Canada should take advantage of the visibility that comes with hosting the Winter Games. We will need to promote all the regions of Canada as choice tourist destinations.

Another important event is the 400th anniversary of the founding of Quebec City. We will also be ensuring that this event has high visibility, in order to attract as many visitors as possible to Canada.

The Olympic Games are a priority for the Canadian Tourism Commission, and I am very pleased about that. There are obvious economic spinoffs associated with the tourism industry.

[English]

**Mr. Brian Masse:** But I'm asking, Mr. Minister, about your funding allocation.

I understand the importance, and anybody watching this understands the importance, of the Quebec celebrations, and I don't think anybody is going to object to that. We all understand that, but what I'm asking you is why hasn't there been an allocated budgetary increase to deal with the depreciation of American visitation into this country, which is costing Canadian jobs? This has been compounded in this summer festival season by your government's bungling of the actual replacement of the sponsorship file with regard to festivals and funding of those things. Why has there not been an appropriate increase in that actual budget to the Canadian Tourism Commission?

I understand the value of those festivals—most Canadians do—but what I'd like to see is an increase. I'd like to understand where you're at with that. If you're not going to increase it, that's fine; just say it's not worth it.

• (1700)

**The Chair:** Minister, you have about a minute for an answer.

[Translation]

**Hon. Maxime Bernier:** Our government did not cut the funding of the Canadian Tourism Commission, which shows that we believe in it. We want the Commission to allocate its funds as effectively as possible.

As you know, the government's budget is reviewed every year. Over the next budget cycle, we will be considering the views of all stakeholders, including those in the tourism industry. I can assure you that Minister Ritz will definitely be holding consultations with all stakeholders, to ensure that the Commission can continue to fulfill its role in future years.

[English]

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

We've reached almost five o'clock, so we're at the time you have to leave. Now, I do have two members on the list who have asked to ask questions, but you've already stayed 15 minutes past your time, for which we're very appreciative. Perhaps members could submit those questions and we could have them answered in written form.

**Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.):** Mr. Chair, if the minister agreed to stay for those two questions, it would be very helpful to the committee I think.

**The Chair:** Minister, we've already imposed on your time, but it's

**Hon. Gerry Byrne:** Mr. Chair, with all due respect, could the minister answer the question, as opposed to yourself?

**Hon. Maxime Bernier:** I'm sorry, I said 15 minutes because I have other commitments, but I'll be pleased to receive your question, and we will answer it as soon as possible.

I want to thank everybody for the support they've given me. We will be in touch in the near future. I can assure you that all the work you are doing here is important for me as minister and it's important for all Canadians. I want to thank you again for the work you did on the manufacturing file and the report you issued. Thank you very much.

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

We will suspend just very briefly, and then we will have the witnesses from the Canadian Tourism Commission and the Department of Industry. I believe Mr. Dicerni will be able to stay with us for that second session as well.

We'll just suspend for a couple of minutes.

- \_\_\_\_\_ (Pause) \_\_\_\_\_
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**The Chair:** Members, let's find our chairs here and we'll get quickly back to the estimates.

For the second part of our estimates meeting today we have, first, from the Canadian Tourism Commission, Ms. Michele McKenzie, the president and chief executive officer. Welcome back, Ms. McKenzie.

Secondly, we have Ms. Karin Zabel, vice-president and chief financial officer.

From the Department of Industry, I believe Mr. Richard Dicerni is staying with us. Also, we have Mr. Guy Leclaire, the director general, automotive and transportation industries.

I believe we have five-minute opening statements for each, for the Department of Industry and for the CTC.

We will start with Ms. McKenzie, for five minutes.

- (1705)

**Ms. Michele McKenzie (President and Chief Executive Officer, Canadian Tourism Commission):** Thank you, Mr. Chair, and thank you once again for inviting us to appear before you today.

The Canadian Tourism Commission is a crown corporation of the Government of Canada. We are in the business of marketing Canada as a tourism destination. The CTC does this in collaboration with industry and all levels of government.

Our ultimate goal is to create wealth for the Canadian economy by attracting foreign exchange from tourism sources—in other words, to grow tourism export revenues.

To this end, we operate in nine international countries where we get the highest return on Canada's investment, and we are succeeding. Together with the industry and provincial partners, whose partnership investments with CTC exceed CTC's investments, marketing messages transmitted abroad to come and explore Canada helped generate \$17 billion in foreign exchange for Canada last year.

Tourism marketing provides an immediate return on investment. Our conversion studies show that every \$1 we spend on marketing can earn Canada as much as \$11 in international tourism spending. And Canadians benefit from their investment. Out of every tourist dollar spent by Canadians or international visitors in Canada, 30¢ goes directly to government. The federal government's share alone amounted to \$9.9 billion last year.

As you may know, CTC's annual report for 2006 was tabled in Parliament earlier this month by the Honourable Maxime Bernier. Together with our partners we delivered some impressive marketing and sales results last year. With Canada's tourism brand as the base, and industry partnerships, cutting-edge research, and the world's most advanced e-marketing techniques, we are attempting to improve Canada's standings in the global tourism rankings. These advances are timely and sorely needed.

Tourism revenues may have amounted to \$67.1 billion in 2006, up 7.1% over 2005, but not all is as positive as it seems. A closer look shows that three-quarters of this number comes from domestic tourism—Canadians themselves taking advantage of their robust economy. This proportion has grown from two-thirds to three-quarters in just five years.

International travellers, the tourism industry's most lucrative customers and the main source of foreign exchange for Canada, came in fewer numbers last year. This decline is almost entirely due to declines from the U.S. market, which accounts for 77% of Canada's overnight visitation and 55% of revenues.

While many other international markets are experiencing strong growth—especially China, Mexico, and South Korea—and are thus key priorities for CTC, we cannot take our eye off the ball in the U.S. So among the many issues that have plagued Canada from the U.S. market these past few years, it is heightened global competition that preoccupies us the most.

The 2006 numbers aren't in, but between 2002 and 2005, Canada dropped from seventh to twelfth in the rankings of world tourism arrivals. Hong Kong, Malaysia, and China, meanwhile, have each taken up residence in the rankings in the top ten in the past decade or so.

The forecast doesn't look much better for the world's traditional destinations. For the next 15 years it is expected that Asia, Africa, and the Middle East will continue to post strong gains at the expense of Europe and the Americas. By 2020, Europe and the Americas together will barely crest a billion international arrivals. Asia, Africa, and the Middle East together will easily hit 1.6 billion.

I can assure this committee that the CTC will take the budget it has and focus on those markets where Canada can get the highest return on investment, including, of course, the important U.S. market.

Thank you.

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

We'll now go to Mr. Leclaire, please.

[Translation]

**Mr. Guy Leclaire (Director General, Automotive and Transportation Industries, Department of Industry):** Thank you, Mr. Chairman.

Let me begin by thanking you for your invitation to speak to the Committee. I understand that the Committee is interested in examining the impact on Canadian automotive production of the Vehicle Efficiency Initiative, or VEI, introduced in Budget 2007.

The Vehicle Efficiency Initiative, which came into effect on March 20, 2007, has two distinct components: a performance-based program known as the ecoAUTO rebate, administered by Transport Canada, and an excise tax, known as the Green Levy, administered by the Canada Revenue Agency.

• (1710)

[English]

The first element, the ecoAUTO rebate program, offers an incentive of up to \$2,000 to consumers who purchase a new fuel-efficient vehicle. Initially, new passenger cars with a combined fuel consumption rating of 6.5 litres per 100 kilometres or less and minivans, sport utility vehicles, and other light trucks with fuel consumption of 8.3 litres per 100 kilometres or less will be eligible for a rebate. Current models qualifying for the rebate include hybrid vehicles, conventional fuel-efficient vehicles, and the most efficient of the E85 flex-fuel vehicles.

The second element of the vehicle efficiency initiative is the green levy on fuel-inefficient vehicles. This levy will be payable by the manufacturer or importer when vehicles are delivered into the Canadian market. The levy will start at \$1,000 for passenger vehicles with a fuel efficiency rating of 13 litres per 100 kilometres and increase in \$1,000 increments for each full litre per 100-kilometre increase in fuel-efficiency ratings, to a maximum of \$4,000. Trucks and commercial vehicles are exempt from this levy.

[Translation]

The automotive vehicle and parts manufacturing industry is Canada's largest manufacturing sector. In 2006, this sector represented 12 per cent of manufacturing GDP and employed 158,300 workers. The five major auto assemblers operated 12 different assembly plants, produced 28 different vehicle models, in many variations,—with different engines, transmissions, body styles and other options—and, together, assembled 2.5 million light vehicles.

[English]

Canada is the world's third-largest exporter of automotive products, following Japan and the U.S. About 83% of Canadian-built vehicles were exported in 2006, primarily to the U.S. The Canada-U.S. auto trade totals \$130.5 billion, with a Canadian surplus of \$17.5 billion in 2006.

Canada continues to maintain a 16% share of North American light-vehicle production. Analysts forecast that Canada's share of

vehicles produced in North America will increase to more than 18% over the next few years as new product mandates are introduced.

The two measures of the vehicle efficiency initiative taken together apply to approximately 8% of the new vehicle sales in Canada. Of this 8% of sales, only a very small proportion are vehicles produced in Canada.

[Translation]

For the 2007 model year, there are more than 800 variants of vehicle models available for sale in Canada. While Canadian production data is available at the basic model level for each of these vehicles, Industry Canada does not compile the detailed breakout of this information on the basis of engine size, transmission type, E85 or hybrid capability, which would be necessary to conduct a detailed analysis.

In the absence of detailed information, it is, however, possible to estimate some of the data, and make a number of observations based on the structure and output of the Canadian industry.

[English]

As a starting point, it is important to recall that the vehicle efficiency initiative applies only to vehicles sold in Canada. For vehicles produced in Canada, the program applies only to those vehicle models that are both produced and sold in Canada. Canada exports approximately 83% of all vehicles produced here. This of course varies by model and ranges from a low of about 60% for some models to close to 99% for others. Of the 2.5 million vehicles produced by assembly plants in Canada in 2006, 2.1 million were exported and 17%, or 416,000 vehicles, were actually sold in Canada. These represent about 26% of the 1.6 million vehicles purchased by Canadians in 2006. Of these vehicles built and sold in Canada, there are three models eligible for rebates under the "eco" program. They're the Toyota Corolla 5-speed, built in Cambridge, and the GM E85 Impala and E85 Monte Carlo, both built in Oshawa.

In 2006, Toyota produced 16,000 Corolla 5-speeds and sold about 4,400 of these in Canada. GM produced approximately 210,000 Chevrolet Impalas and 15,000 E85 Monte Carlos and sold about 13,900 and 700, respectively, of these in Canada. Taken together, 19,000 vehicles or 0.76% of Canadian production would be eligible for the eco incentive.

Canadian-made vehicles subject to the green levy are mainly three Chrysler models of SRT8s, which are limited-production, high-performance models. About 1,000 of these were sold in Canada, representing 0.04% of total Canadian vehicle production. So, in total, there are about 20,000 units, or about 0.8% of total Canadian annual light-vehicle production, affected by the vehicle incentive program. So 19,000 are eligible for the rebates while 1,000 would be subject to the levy.



•(1715)

[Translation]

We will, of course, be watching Canadian sales data to see if changing consumer purchasing patterns are having an effect on production in Canada. At this point, with only one month of sales data since the program was announced in March, it is too early to draw any conclusions.

[English]

However, any analysis would need to separate out the various effects that would have come into play in determining the profile of sales for this or any other month. Several factors, including the rebate and the levy, would influence purchasing decisions, but also among them would be the extent to which producers and dealers are seen to pass along the benefits of the cost of the program to consumers, the incentives and financing options offered by competitors, and the impact of gas prices, which have risen over the past quarter. It will take some months before enough data are available to allow an assessment of the ecoAUTO rebate program on productions and sales in Canada.

Thank you.

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

We'll go to Mr. Byrne for six minutes.

**Hon. Gerry Byrne:** Thank you very much.

Ms. McKenzie, you've provided a very insightful snapshot of the Canadian tourism industry. You had indicated that the Canadian Tourism Commission does extensive study and analysis of the Canadian tourism sector both domestically and abroad, our international product. One of the things that you highlighted was that there is a growing concern within Canada, within the Canadian tourism industry, that our international competitiveness may be put in jeopardy because of emerging markets. The Canadian competitiveness, our Advantage Canada, as it were, is rapidly being eroded. In fact, I understand the figures are that while domestic travel within the country itself is up significantly, about 10%, internationally we're down almost 2.5% over last year, and the prospects are not looking very good.

In fact, what you really indicated was that for every dollar we spend on marketing and promotion, and I'll use that envelope of "promotion" very broadly, we get a huge payback. In fact, your presentation was almost an infomercial about the negative impact of cancelling the GST visitor rebate program. That program seemed to me and to the tourism industry a very substantial incentive, a competitiveness factor for the Canadian industry to be able to attract tourists.

Now we understand that there was a flip-flop on that particular initiative. In the budget of 2006 the federal government did announce the complete reduction or elimination of that particular program. However, they did indicate in Budget 2007 that they would go back to the table, and they announced a program specifically for organized tour operators and conventions. The ones left out of this were the independent operators who were attracting international visitors. Specifically, Madam McKenzie, in my riding of Humber—St. Barbe—Baie Verte, Newfoundland and Labrador, we have a large

number of commercial big-game outfitters and eco-tourism operators who can no longer avail themselves of this particular program and are really feeling the sting of this.

Has the Canadian Tourism Commission commissioned any studies or impact assessments that you can speak of today of the impact of that particular decision and the elimination of the GST rebate specifically for non-institutional tour operators and convention operators?

**Ms. Michele McKenzie:** Thank you for the question.

The visitor rebate program comprised two major components. One was rebate to individual travellers and the other was an exemption that existed for tour operators and meetings and convention planners. The piece that we believe, when it was eliminated, was going to impact our competitiveness the most was the elimination of the exemption. The new incentive program was put in place to address the loss of that exemption. From a competitiveness point of view, they believe that the right policy objective will be achieved through the new program. Indeed, that was the feedback we were getting from the market.

As far as the individual operator goes, and in the case of the individual operator you mentioned, they will still be able to benefit from the incentive program to the extent to which they distribute their products through tour operators. That tends to be the most competitive aspect of the business, in terms of how the business ultimately gets priced.

•(1720)

**Hon. Gerry Byrne:** So, in other words, they have to establish a middleman for their marketing initiatives in, say, Europe or the U.S. Quite frankly, most operators in my region do not do that. They've established effective, solid marketing campaigns. They market independently, they broadcast to the world via the Internet and trade shows, and they do not require the additional cost of a middleman marketing agency to be able to do that. In order for them to avail themselves of this program, that's exactly the prescription you're suggesting would be available to them.

**Ms. Michele McKenzie:** The program is available to tour operators, be they based in Canada or internationally, as long as they're selling in the international market and there is proof that the ultimate sale was to an international visitor.

**Hon. Gerry Byrne:** So it has to be a middle person, in other words; they cannot do it directly. That's a real issue because of course it cuts in on margins.

I find it a little bit confusing as to why you would promote the fact that we spend so much money on marketing and creating a competitive advantage for Canadian industry, while this particular element of the industry is somewhat discounted in your advice to the government as to which policy direction it should take. While the GST rebate is a relatively small revenue loss to the government, it seems very significant in terms of the competitiveness issue. But the position of the Canadian Tourism Commission is that the individual rebate available before was not consequential, not important, and that we've hit the mark with the current policy.

Is that correct?

**Ms. Michele McKenzie:** The role of the CTC is not to advocate to government about government policy. We certainly work with our partners in markets and work with Canadian tourism operators to take the policy framework we have and best implement it in selling Canada for tourism purposes.

**Hon. Gerry Byrne:** But if you were to provide advice, would it be that the elimination of the GST rebate to individual suppliers of tourism products is a competitive disadvantage to those suppliers?

**Ms. Michele McKenzie:** The industry took the position that the biggest competitive disadvantage created by the elimination of the rebate was the elimination of the exemption. That was the piece for tour operators and meetings and convention planners. That was the position of the industry.

**The Chair:** Thank you, Ms. McKenzie.

Thank you, Mr. Byrne.

We go now to Madame Brunelle, please.

[Translation]

**Ms. Paule Brunelle:** Good afternoon, ladies and gentlemen.

Ms. McKenzie, you talked about the importance of international travellers, which represent the most lucrative clientele. That being the case, I am wondering about the impact of the current strength of the Canadian dollar and the lack of support for major festivals, such as the Montreal International Jazz Festival. I know that in that specific case, many of the clients are Americans. As regards other cultural activities, we are also seeing that there is not much support available. In Europe, and many other countries as well, they rely heavily on their museums and cultural activities to attract tourists.

Have you attempted to estimate what the impact on international tourism here in Canada will be in the coming months of the new passport requirement?

[English]

**Ms. Michele McKenzie:** We have figures for the impact on Canadian tourism with respect to the passport initiative, which of course is a U.S. initiative. We know that initiative will impact tourism receipts by about \$3.6 billion over the period 2005 to 2010. So we're responding to that with campaigns in the U.S. to make sure people have a clear idea of what is required. Of course, at this point, a passport is not required to drive back into the U.S. from Canada.

From a festivals and events point of view, we work with tourism organizations in each of these cities. In the case of Montreal, it would be Tourism Montreal, or elsewhere, Tourism Calgary, or the various tourism organizations. Many of them have room levies in place, which can help with the promotion of events specifically. They tend to be a very strong partner for CTC. We focus very much on events as part of our marketing strategy, and we attract people to Canada for that reason.

• (1725)

[Translation]

**Ms. Paule Brunelle:** Could the Canadian Tourism Commission use its powers of persuasion with the Minister of Canadian Heritage and the Status of Women to move things along a little more quickly?

This is a very hot topic nowadays, which has given rise to many questions being asked in the House of Commons, particularly by members of the Bloc Québécois. We wanted to find out more about the budget that has been promised as a replacement for the Sponsorship Program, which was not very popular. However, budgets apparently will not be available until fall. That is a major problem for the festivals. Do you have the power to make recommendations? It seems to me this will have a major impact on tourism.

[English]

**Ms. Michele McKenzie:** We have full access to the minister, and in fact, Minister Ritz has been providing access to tourism operators from across the country to provide input on priorities, and that access has been provided to the Canadian Tourism Commission as well.

To answer your question, yes, we certainly can provide that advice.

[Translation]

**Ms. Paule Brunelle:** I encourage you to do so.

Do I have any time left, Mr. Chairman?

[English]

**The Chair:** Yes.

[Translation]

**Ms. Paule Brunelle:** Mr. Leclaire, I am surprised. I had not taken much of an interest in this program. I have a Honda Accord and its gas consumption is a little high; also, as the saying goes, I have somewhat of a lead foot.

Looking at the figures you have presented, I see that this program will only affect 19,000 vehicles. How much will it cost us? In terms of the Green Levy, the amount we will be receiving will surely be larger. Will the vehicle efficiency program pay dividends for Canada?

**Mr. Guy Leclaire:** I would first like to say that the 19,000 vehicles I referred to are only vehicles built in Canada.

**Ms. Paule Brunelle:** But the program applies to all vehicles sold.

**Mr. Guy Leclaire:** Yes, and the budget is apparently \$160 million over two years.

**Ms. Paule Brunelle:** That is what it's costing us. Have the revenues been deducted? We're talking about a budget of \$160 million. Does that mean \$160 million will be levied on vehicles with a very high fuel consumption?

**Mr. Guy Leclaire:** It says in the budget that the program will be

[English]

broadly revenue neutral.

[Translation]

**Ms. Paule Brunelle:** So, we can expect people to continue to buy large vehicles.

**Mr. Guy Leclaire:** Perhaps.

**Ms. Paule Brunelle:** We really don't know. You will have to assess the situation.

Thank you.

[English]

**The Chair:** We could have asked that question of Mr. McTeague, but unfortunately he's not a witness.

We'll go to Mr. Carrie now.

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

I thought perhaps you could indulge me just for a minute. I know that Mr. Leclaire will be retiring soon, and I wanted to congratulate him publicly on his retirement and thank him very much for all the hard work he has done these last many years, not only for the auto sector but for all of Canada.

I'd like to thank you, Mr. Leclaire, for all you've done.

**Some hon. members:** Hear, hear!

**Mr. Guy Leclaire:** Thank you very much, Mr. Carrie.

**Mr. Colin Carrie:** It's a real pleasure to have you here today.

I was wondering, in your opinion, how the Canadian auto industry is doing here in Ontario relative to the rest of North America.

**Mr. Guy Leclaire:** Broadly speaking, the domestic auto industry is doing quite well. There are certainly some issues in terms of the Detroit-based assemblers and the problems they're facing in the market. But the investments in Canada continue at a quite significant level. All the assemblers here have invested heavily in new plants and equipment. Toyota is bringing in a brand-new plant on stream over the course of the next year.

So there have been some rough patches. There probably will continue to be some rough patches as the Detroit-based assemblers continue to adjust to market conditions in North America. But all in all, Canadian plants seem to be doing fairly well, and we project that they will continue to do so for some time.

• (1730)

**Mr. Colin Carrie:** I noticed in your opening statement you mentioned that in Canada we produced 2.5 million vehicles in 2006, and it appears that 1.6 million vehicles were actually purchased by Canadians. So it looks like there's about a 900,000 surplus as far as what we produce here. Would I be correct in stating that?

**Mr. Guy Leclaire:** Yes, and those are sort of average numbers. We produce an average of 2.5 million to 2.6 million vehicles a year, and generally produce 900,000 to 1 million more than we purchase. I think as you may have mentioned, Ontario is the largest automotive-producing jurisdiction in North America. So it does quite well, and it helps with the balance of payments.

**Mr. Colin Carrie:** Lately I've been listening to different people in the media calling for a global auto pact. Way back when Canada had an auto pact, and it was like a one for one.... What do you think

would happen to our industry domestically if we went back to an auto-pact type of mentality?

**Mr. Guy Leclaire:** Our industry relies on trade. We produce a net surplus of about a million cars. The reality is that 90% of what we produce is actually exported. We need to have access, certainly to the U.S. market, and we do, through NAFTA. Without that, we would actually lose plants. We would be producing fewer vehicles. If we were only producing 1.5 million or so for the Canadian market, we would lose four or five assembly plants out of the twelve.

**Mr. Colin Carrie:** Madame Brunelle brought up a very good point about what the trend has been for Canadians. She mentioned that Canadians will still buy large cars. I have three kids, two dogs; grandma likes to come to the cottage. I need a bigger vehicle. That's the reality of it. I'm not going to fit into a little Pontiac Wave. It's not going to work for me.

What was the trend for Canadian consumers even before the ecoAUTO program? Have you seen a trend? Are we already starting to buy these smaller vehicles?

**Mr. Guy Leclaire:** Yes. Canadians, certainly relative to the U.S., tend to buy smaller, more fuel-efficient vehicles and fewer of the larger vehicles. Even there we might be buying SUVs, as you require to move your children and get to the cottage, but we tend to buy much smaller SUVs. All in all, we tend to buy the smaller, more fuel-efficient vehicles.

There's always room for improvement, which is where the eco rebate program will come in.

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

If Madame Brunelle has a Honda Accord and she's thinking of a new one, as I said, the Oshawa plants are number one and number two for quality. The Impala is an excellent vehicle. It's very fuel efficient. That was selfish promotion there.

To shift over, recently we've heard a lot of issues about passports and how that's affecting our tourism rates. I was wondering what the effect of the increased need for passports for Canadians has been. I understand there's a wait-list of three million for passports in the States. Would you be able to comment on the passport issue, please?

**Ms. Michele McKenzie:** The passport issue, as far as the CTC is concerned, is the issue with respect to the new rules coming into place in the U.S. Most of our international visitors would be travelling with a passport anyway. From an impact point of view, we have seen declines in U.S. visitation since the new WHTI was announced. However, there are a number of factors at play in terms of the U.S. market right now. Passports are just one component of that.

We do know there has been confusion around whether people need a passport. From a marketing point of view, that confusion in itself has been a challenge for us.

Our efforts have been to try to help the American public, who might be interested in travelling to Canada, understand what the rules are. We've been doing that in a number of different ways: directly, in terms of our dealings with U.S. consumers, but also in terms of working with Canadian tourism operators. We put a tool kit on the Internet, which they can download, with messages they can send their customers so we have a clear consistent message from Canada as to what is required.

• (1735)

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

We'll go to Monsieur Godin, please.

[Translation]

**Mr. Yvon Godin (Acadie—Bathurst, NDP):** Thank you, Mr. Chairman.

[English]

Welcome to you all.

As you can see, I'm replacing Brian, but I'm not Brian. Brian had some questions, but he had to leave for a few minutes. I will raise some of the questions he's interested in.

Going to the issue of passports, there's what we know today, but starting in January it's going to be another issue. How many people from the United States who come and visit us just go across the border with their car? Don't you think there will be a big effect?

For example, Montreal is close, not even an hour away, to the border with the United States. If you look at New Brunswick, for example, there's the border with Maine, and they're going across day after day and they have no passport.

We're dealing with the ones taking flights right now, and it's a mess. We've got people now waiting three months to get a passport. It's not easy. We don't have the offices across the country that we need to deal with the passport issue. Some places are worse. In northern Ontario, for example, in Sault Ste. Marie, if they want a passport they have to go to Toronto if they need one in an emergency. Just imagine that. Don't you think it's going to get worse?

**Ms. Michele McKenzie:** As I said earlier, the issue with respect to how WHTI has been implemented has created confusion. The research we have done in the U.S. would suggest that to the extent to which people are aware there's a passport law out there, they believe it's probably already in place. From an awareness point of view, there's confusion among the travelling public. We believe that confusion has been what has been depressing traveller numbers to date.

We believe that as accurate messages get out there the performance will continue to improve. In fact, based on studies that the Conference Board of Canada has done, we expect that turnaround to come in 2008.

**Mr. Yvon Godin:** Some municipality groups have hotel room levies. The question I want to ask is, where does that money go, how is it used, and does the CTC get any of these funds?

**Ms. Michele McKenzie:** An increasing number of Canadian communities have been putting hotel room levies in place to fund various aspects of tourism development. The way these things have developed is that it's been up to the communities themselves as to how they choose to direct those funds. Some of those funds have been directed toward tourism marketing. To the extent that has happened, we've been able to partner with those communities for tourism marketing purposes.

I will say, however, that much of the dollars that are coming into place from tourism levies are not allocated for tourism marketing purposes but rather for tourism development purposes, to help with special events or to build infrastructure in some cases. But to the extent there is some money being spent on marketing, much of that has been directed to the domestic market and much of it is in fact fuelling what we've seen in terms of a very steady growth of domestic tourism within Canada.

**The Chair:** Mr. Masse.

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

I'm going to move to feebates and ask what role Industry Canada played in actually developing the public policy for feebates and what your role is as it continues to evolve. There have been several times where different cars have appeared and disappeared in terms of the eligibility of feebates on the web pages. As well, there's been concern about entry of new market models and whether they're going to meet the same criteria in time given that there's a resource issue. I'll start with that.

**Mr. Richard Dicerni:** The program, as you know, was developed by the Department of Finance and introduced in the budget of 2007. It is administered in part by the Department of Transport and in part by the Canada Revenue Agency.

Secondly, the role and mandate of the Department of Industry is the same as many other sectors where we have an advocacy and a responsibility for a given sector to ensure that the interests of that sector are brought to the attention of the appropriate decision-makers. In that context, the minister and Guy and I met with CAPC, and that gave us an opportunity to hear quite directly from the industry as to what they thought about this program. We undertook to feed that back to the Department of Finance.

• (1740)

**Mr. Brian Masse:** Was there an economic impact study done for the industry in terms of how the model that was eventually developed would impact the marketplace?

**Mr. Richard Dicerni:** Not that I'm aware of.

**Mr. Brian Masse:** Will there be a study done on that? Will it be your department? What's going to happen in terms of Industry Canada protecting the auto industry if the Department of Transport has management of the file and the Department of Finance makes the decisions about how it is actually implemented?

**Mr. Richard Dicerni:** We are in regular contact with the sector, with the various auto manufacturers, with the association, in terms of getting feedback on this program. I can go back to the comment made by the minister that in the context of every budgetary cycle, these things are looked at, evaluated, and so forth.

There was a discussion a little while ago about tour operators and the decision made in Budget 2006, which some would argue had a negative impact on the tourism sector. Budget 2007 sought to make some adjustments. This is a program that is being monitored, implemented, and so forth, and it is part of our role to monitor the impact it has on the industry.

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

We'll go to Mr. Brison, please.

**Hon. Scott Brison:** I wanted to discuss the visitor rebate program and the impact on the industry. We've seen the hotel associations and the tour associations united in opposition to the elimination of the visitor rebate program. The tourism commission, of course, serves that industry, among others. The elimination of the visitor rebate program makes Canada the only industrialized country with a consumption tax to not have a commensurate visitor rebate program. There were some steps taken to soften that, but it still did not go back to the original approach.

Furthermore, as a member of Parliament from Atlantic Canada, we're particularly sensitive to this due to the fact that we have a higher consumption tax. The federal tax, the combined HST in Atlantic Canada, has had a disproportionately negative impact on the industry in our region.

I would like to hear from the tourism commission's perspective what representations you are making to ensure full restoration of the visitor rebate program.

**Ms. Michele McKenzie:** As a crown corporation with a mandate to market Canada, it is not within our mandate to advocate government policy in any public forum. We would meet with the minister responsible for tourism, the secretary of state, and provide advice with respect to how to grow tourism in Canada and what we believe to be various impediments and work very closely with Industry Canada, which has the lead role for tourism policy.

**Hon. Scott Brison:** So you would provide public policy advice to the government as to how to strengthen the tourism industry in Canada.

**Ms. Michele McKenzie:** Yes, and particularly to Industry Canada, where the lead role is placed.

**Hon. Scott Brison:** If part of your mandate is to strengthen the Government of Canada's role in promoting tourism, have you provided advice to the government in terms of the negative impact of the elimination of the visitor rebate program?

**Ms. Michele McKenzie:** We did not provide advice in advance of the announcement of the elimination of the visitor rebate program. We worked very closely with government after that to look at the exemption piece versus the rebate piece that I spoke about earlier.

**Hon. Scott Brison:** Have you heard or been informed by industry members of the negative impact on their industry, specifically hotel and tour operators?

●(1745)

**Ms. Michele McKenzie:** Yes, we've heard from those operators extensively over the last number of months. The hotel association, for instance, has responded quite favourably to the introduction of the new incentive program and the extent to which it deals with the precise issue of the elimination of the exemption, so there has been some positive feedback with respect to that—

**Hon. Scott Brison:** That is to some of the ameliorative steps, but the hotel association would still prefer the original visitor rebate program.

Would you agree that it is your job to represent their interests to government, not simply to defend the government's decisions to the industry?

**Ms. Michele McKenzie:** We certainly do have an opportunity to provide our perspective to government with respect to how policy impacts our ability to market Canada successfully as a destination, and we do that.

**Hon. Scott Brison:** So you have then in fact presented to the government a representation of the negative impact of eliminating the visitor rebate program?

**Ms. Michele McKenzie:** We had extensive discussions with Industry Canada with respect to the exemption piece and the impacts of the elimination of that, and we saw that reflected in the new program.

**Hon. Scott Brison:** Would you be able to provide us with your analysis on that? Your representation on that impact would be very helpful. You said you made that representation, so the committee, I'm certain, would appreciate that.

**Ms. Michele McKenzie:** We have not provided a written report. We were asked for advice in meetings and we've had those discussions.

**Hon. Scott Brison:** I thank you.

My colleague, Mr. McTeague—

**The Chair:** You have 20 seconds.

**Hon. Dan McTeague:** Mr. Leclaire, I just have a question on the issue for your automotive industry in Canada as to the varying fuel standards that exist both in the United States and potentially within Canada. How difficult is it for the automotive industry to be able to make those kinds of adjustments that we're seeing, state by state, perhaps even in the future, here in Canada?

**Mr. Guy Leclaire:** Right now, there's basically a harmonized standard across North America....

Are you talking about fuel consumption standards, sir?

**Hon. Dan McTeague:** No, fuel standards.

**Mr. Guy Leclaire:** That's the responsibility of Natural Resources Canada. But varying fuel standards do cause some difficulty with different technologies, including catalytic converters in vehicles. So having a national fuel standard, and even an international fuel standard, clearly is a target that the auto industry would like to have.

**Hon. Dan McTeague:** I just want to clarify that for you, just to make sure.... We're concerned as a committee. I think some of us have expressed this before. The automotive industry in various ways is making real adjustments in trying to get to the bottom of better, more environmental standards in vehicles. The oil industry, the gasoline industry, isn't necessarily doing the same. I'm just wondering how troubling you find that or take that under advice in terms of how we're seeing this.

Mr. Chair, thank you.

**The Chair:** Okay, thank you.

We'll go to Monsieur Arthur for the final question.

**Mr. André Arthur:** Good afternoon, Madame McKenzie. It's a pleasure to see you here.

What exactly is the relationship between the CTC and the Canadian exhibit at the Epcot Center, at Disney World?

**Ms. Michele McKenzie:** Walt Disney World owns Epcot Center and they own a number of pavilions at Epcot Centre, one of which portrays Canada. That pavilion includes a film of Canada that is quite dated. The CTC has been lobbying Walt Disney World to update their film on Canada for some time.

Recently—within the last year—we entered a marketing partnership with Walt Disney World for the update of that film. We did that in conjunction with other destination partners from across the country. So we basically led a discussion that brought cities and provinces to the table to partner an updated film, which will be released in the Canada pavilion this year.

**Mr. André Arthur:** When you say “dated”, how dated is it? How much do you feel this could be bringing us close to negative advertising?

**Ms. Michele McKenzie:** We had a lot of feedback from Canadians who felt it was so dated that it was negative. In fact, that was why we worked very hard to convince Disney that it needed to be updated. Disney was quite happy with the film as it was. The

only complaints they say they received were primarily from Canadians. However, ultimately, they did decide that it was worth updating the film, and we were happy to give them advice on how Canada could be portrayed more accurately.

• (1750)

**Mr. André Arthur:** What participation will you be having in the making of that film? What will be your responsibility in the making of that film? Will you supervise, will you improvise, will you give them ideas? Will you do something?

**Ms. Michele McKenzie:** We have the official responsibility to influence as much as possible. Walt Disney World will not give us creative control of their film. It's their film, and they have creative control of everything that happens at Epcot Center and in every Disney location. So they would not give us that, but they were very happy to work with us. We presented them with Canada's new tourism brand. They liked it a lot, and they were able to fully incorporate that into the creative concept for the new film. So we're very happy.

**Mr. André Arthur:** At this time the only thing that's not dated around there is the beaver tails. This you can buy at the door, but the film is horrible. You see that and you cringe—

**Ms. Michele McKenzie:** We absolutely agree, which is why we have been anxious to have this project finished.

**Mr. André Arthur:** When do you expect the new production to be there?

**Ms. Michele McKenzie:** The new production will be going into the theatre this summer. They haven't given us a final date, but it will be during the summer months. There will be an official event to launch the film in the early fall.

**Mr. André Arthur:** Thank you very much.

**The Chair:** Thank you very much to all of you for coming in today. We're sorry about the extended time because of the vote and the extension of the minister's time, but we appreciate your time here, as we always do at estimates time.

Members, we'll suspend for a couple of minutes and then discuss the two motions.

Thank you.

*[Proceedings continue in camera]*









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