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Mr. Rob Merrifield

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• (1530)

[English]

The Chair (Mr. Rob Merrifield (Yellowhead, CPC)): I see all the members who are in the room at their seats, so with that we'll call the meeting to order.

We want to thank the witnesses for coming forward. We have the Department of Finance here.

We're here to discuss the issue around and with regard to the Bloc motion, Mr. Paul Crête's motion. We'll have that before us. We will hear the testimony, do a round of questioning until we have sufficiently answered the questions around the table, and then we'll ask Mr. Crête to entertain the motion and we'll carry on from that point. Is that fair?

With that, we will invite Mr. Robert Dunlop.

I believe you're doing the presenting. If you'd introduce the people who are with you and make your presentation, then we'll open the floor for questioning.

The floor is yours.

The Chair: Thank you.

With that, we'll open up the floor to any and all questions.

We'll start with Mr. McKay. You have seven minutes.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you.

That was an extraordinarily brief presentation from the finance department.

If Mr. Crête's motion were to be adopted, it would fly in the face of the rule that all surplus has to be applied to debt. Would that be correct, if these proposed funds were taken out of the surplus this year?

Mr. Robert Dunlop (General Director, Economic Development and Corporate Finance, Department of Finance): That would presuppose that the proposal is to do this with funding from the year-end. Most of these proposals couldn't be done as year-end spending. What is normally required is that a grant be given to an organization that's a third party from the government. Then this third party, or a provincial government, would undertake the spending.

As for the diversification fund, the funds would be transferred to a province. Technically, it would be possible to use projected surplus money from this year for that purpose. But for program spending such as technology partnerships, that couldn't be done as a year-end.

Hon. John McKay: What about enhancing the employment insurance fund? Are there technical problems with this?

Mr. Mark Hodgson (Senior Policy Analyst, Labour Markets, Employment and Learning, Social Policy, Federal-Provincial Relations and Social Policy Branch, Department of Finance): The employment insurance account is an accounting entity that tracks premium revenues and program expenditures. It isn't an account that contains cash. So I'm not sure how you could—

Hon. John McKay: So it wouldn't necessarily be money. It would simply be a change in the rules of eligibility.

Mr. Mark Hodgson: At this point, the Employment Insurance Act determines what is credited to and debited from the EI account.

• (1535)

Hon. John McKay: Would it therefore require an amendment to the EI legislation?

Mr. Mark Hodgson: If you were to change the nature of the EI account, then you would need to change the Employment Insurance Act.

Hon. John McKay: In respect of the \$1.5 billion for support measures for workers and the \$1.44 billion for employment insurance, am I right to assume that this would require completing legislative changes to the EI before the end of this fiscal year, if it were to go through? Am I correct in that?

Mr. Mark Hodgson: To answer the second part of your question first, if you wanted to have this done before year-end, then your legislation would need to have received royal assent before the end of the year.

I'm not sure what is meant by "support measures for workers affected by the crisis". Presumably that would be a new purpose for the EI program, which would require legislation. If you wanted to change the nature of the EI account, you would need legislation.

Hon. John McKay: In terms of the \$1.5 billion in reimbursable contributions to companies to allow them to purchase new equipment, would you understand that to mean changes to tax legislation, or is that program spending?

Mr. Robert Dunlop: We see that as program spending. That would be under the control of the government and you wouldn't be able to do it as a year-end measure.

To add to what Mr. Hodgson said, the EI account would still be controlled by the government. You wouldn't be able to make a one-time payment and then disburse the funds over time. It would still be accounted for when the money is actually spent.

Hon. John McKay: We're not necessarily talking about the money here, as such. We're simply talking about the enhanced ability of people who are laid off to access moneys in these special circumstances.

Mr. Robert Dunlop: Yes, but I was answering your question about whether you could do this as a year-end measure. In both of those cases it would be a program, so the funding would be accounted for when it's actually spent, not as a year-end matter.

Hon. John McKay: Notionally you couldn't even take it out of the surplus until the legislation actually passed.

Mr. Robert Dunlop: That's right. Even then you wouldn't be able to with the EI account. Because the EI account is controlled by the federal government, the accounting rules don't allow you to expense it other than in the year the money is spent. The difference is the case with, say, making a grant to a provincial government. The federal government can take year-end funds and surpluses and provide them to a provincial government, which the federal government does not control, expense it in the current year, and the province spends it later. That's the accounting treatment.

Hon. John McKay: Any EI-enhancement spending effectively gets bumped over to another fiscal year. Any moneys that are transferred to a province could be accommodated in this fiscal year, and unless you set up a third party you wouldn't be able to do a technology partnership thing.

Do I have the summary on that?

Mr. Robert Dunlop: That's correct.

Hon. John McKay: Thank you.

There are those who argue that this is clearly not the way to go. There is a school of thought that this is crazy. Have you thought about the other part of reducing or eliminating tariffs? Is that a viable way to provide assistance to the manufacturing and forestry sector, which wouldn't necessarily require year-end spending?

Mr. Robert Dunlop: I believe that proposal has been made by some industry groups. As we do with all pre-budget submissions, I'm sure it has been examined.

Hon. John McKay: Is there any costing on that?

• (1540)

Mr. Robert Dunlop: No, we don't have costing on that.

Mr. Massimo Pacetti: They are the Department of Finance. Why would they?

Hon. John McKay: There's one other question with respect to the issue not only of NAFTA but also the lumber deal that was entered into. Have you examined this proposal in light of the Canada-U.S. lumber deal?

Mr. Robert Dunlop: The answer to that would be in the details about how it was done. Depending on how the diversification fund moneys were used, that could be in violation—

Hon. John McKay: What would you have to steer away from? Would it be a notional subsidy?

Let me finish.

The Chair: You may ask me, but you can't tell me. Finish your question and that will be fine.

Hon. John McKay: I knew you were a fine fellow, Chair.

On that final point, would there be any offence against any subsidy, direct or indirect, on the Canada-U.S. lumber deal?

Mr. Pat Saroli (Senior Advisor, Trade Remedies and General Economic Relations, International Trade Policy Division, International Trade and Finance, Department of Finance): On the softwood lumber agreement, SLA, the governing provision is article XVII.1. It's fairly clear. It prohibits the taking of any action that has the effect of reducing or offsetting the commitments agreed to under the export measures and commitments under the agreement. To the extent to which you're structuring an offset of some sort, the devil is very much in the details. You could very well find yourself in conflict with the general thrust of the SLA. I think we would have to know a bit more about how this diversification program would work and what it would be targeted at to make a definitive assessment. But I think you are treading on dangerous territory there.

The Chair: Thank you very much.

Hon. John McKay: That was very generous of you, Chairman.

The Chair: It was indeed. It won't happen again.

Monsieur Crête.

[Translation]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): We do not have any questions at this time. Instead, we will be intervening when the motion is tabled.

[English]

The Chair: Okay, we'll move to the Conservatives. Is there a question over there?

Mr. Dykstra.

Mr. Rick Dykstra (St. Catharines, CPC): There may be a couple of questions, Chair. I may share my time with one or more of my colleagues, depending on how long it takes me.

First, what is the federal government currently undertaking from both an ongoing perspective, over the past number of years, and also currently keeping in mind the last two budgets that have had specific program itemized spending lines dealing with some of the issues that are in here, and obviously from the fall economic statement as well?

I'm wondering if you've done a bit of a briefing as to what the government is doing currently against what is indicated here in the motion.

Mr. Robert Dunlop: Mr. Chairman, in the last two budgets and the economic statement there have been a number of actions taken to support the manufacturing and forestry sectors. The most important of those, the largest of those, is tax relief, which is estimated to provide \$8 billion of relief for the manufacturing sectors between now and 2012-13. That includes such measures as targeted accelerated capital cost allowance.

My colleague Nancy can certainly expand on the tax measures.

Mrs. Nancy Horsman (Director, Business Income Tax Division, Tax Policy Branch, Department of Finance): Sure. I can just enumerate them here.

We have a reduction in general corporate income tax rate to 15% by 2012, from 21% in 2007. The most recent announcements about those reductions took place in the economic statement. The corporate surtax was eliminated for all corporations in 2008. There was an acceleration of the elimination of the federal capital tax by two years, to January 2006. The small business tax rate was reduced to 11% from 12% by 2008. There was an increase in the amount of active business income that's eligible for the reduced small business tax rate, to \$400,000 from \$300,000 in 2007.

As Mr. Dunlop mentioned, there was a temporary 50% straight-line CCA writeoff for manufacturing and processing machinery and equipment. There was an increase to the CCA rate on buildings used in manufacturing or processing, to 10% from 4%, as well as an increase in the CCA rate for computers, to 55% from 45%.

There was also a financial incentive to provinces to facilitate the elimination of their capital taxes. So far, Ontario and Quebec have announced the elimination of their capital taxes before 2011.

Mr. Rick Dykstra: Thank you.

The Chair: There is a further intervention.

[Translation]

Mr. Yves Giroux (Director, Social Policy, Federal-Provincial Relations and Social Policy Branch, Department of Finance): It was also announced in the budget that \$500 million per year would be allocated for worker training, over and above the \$2 billion per year the federal government is investing in this area. Older workers will benefit from these initiatives, in the same way as all workers who need training.

● (1545)

[English]

Mr. Rick Dykstra: Thank you.

Before I pass to my colleague Mr. Del Mastro, I have another question. I think Mr. McKay was starting to allude to this, and I don't know whether he got a full answer. That is, what kind of pressure would this put on the federal treasury in the upcoming budget if we were to move forward with such an implementation?

Mr. Robert Dunlop: Well, the pressure would be the amount of money that the elements cost.

Take the \$500 million for Technology Partnerships Canada; that would be \$500 million a year, I'm assuming, because it is an ongoing program. The \$1.5 billion in reimbursable contributions, if it's \$1.5 billion a year, is very large new spending. If, as proposed, the \$1

billion diversification fund is delivered by provinces, that would be eligible for spending before the year end, in the same manner that the community development trust is. And the \$1.5 billion for measures for workers, again, I'd assume that's an annual expenditure.

That's quite considerable in terms of total federal spending.

Mr. Rick Dykstra: I guess the only other question I have is just a confirmation. You clarified that these are programs that would not be funded in the current.... In your surplus, they would actually have to be funded out of the 2008-09 budget as program items.

Mr. Robert Dunlop: That's correct, with the exception of the diversification fund that's described here.

Mr. Rick Dykstra: Thank you.

The Chair: Mr. Del Mastro.

Mr. Dean Del Mastro (Peterborough, CPC): Thank you, Mr. Chair. I have just a couple of questions.

First of all, to the witnesses, on ad hoc programs such as the one that's being prescribed, do you have any experience that indicates that these are long-term solutions to the types of problems faced by the industry, or is the government better suited to make changes that would actually change the environment in which business is being conducted?

Mr. Robert Dunlop: That's a hard question for us to answer, because it goes to the heart of different approaches that different philosophies and different political parties have to the proper running of an economy. Strong arguments can be made on both sides.

The position of the government at the moment is that support is best provided through general measures without targeting specific groups to the extent possible. This approach is supported by a large weight of economic opinion and organizations such as the OECD.

On the other hand, you can certainly demonstrate that if a program were designed in such a way that all the funds went to activities that wouldn't have taken place otherwise, the economy could benefit. The difficulty in that approach is in design and delivery. Various countries have tried various approaches with different results.

Mr. Dean Del Mastro: Okay, I appreciate that.

The other question I have pertains to the softwood lumber agreement specifically. In your opinion, would these measures as recommended bring a challenge forward under the softwood lumber agreement as a direct subsidy?

Mr. Pat Saroli: We already have two pending challenges, so the Americans have already demonstrated that they are watching closely. I think they will look at any measure in detail and juxtapose that against the obligations under the agreement—the provision I read earlier, for instance—and they would not be loathe to take a challenge if they felt that there was one to be had.

Mr. Dean Del Mastro: So this proposal, in your opinion, could well—in fact, would—put the softwood lumber industry in Canada back into a position of uncertainty.

Mr. Pat Saroli: I would prefer to say “could”, because I really don't know enough about a lot of these elements in here. For example, the reimbursable contributions element, does that include reimbursement of an amount that reflects the commercial cost of capital, or is it just the reimbursement of the original amount? That's one example.

So to the extent to which there are subsidies embedded in the program once it's fleshed out in detail, I would say that we could actually find ourselves in litigation with the U.S.

Mr. Dean Del Mastro: Which brings uncertainty to the industry.
• (1550)

Mr. Pat Saroli: Which could introduce an element of uncertainty, yes, absolutely.

The Chair: Thank you.

Mr. Martin.

Mr. Tony Martin (Sault Ste. Marie, NDP): Have you done any analysis so far of the impact of the downturn on the forestry and manufacturing sectors in terms of revenue into the federal government?

Ms. Isabelle Amano (Director, Economic Analysis and Forecasting Division, Economic and Fiscal Policy Branch, Department of Finance): As to revenue impact, I can essentially just repeat for you what is in the economic statement that was tabled last fall in terms of our forecast for revenues and expenditures going forward. The minister will provide an update of our fiscal forecast when he tables the budget shortly.

Mr. Tony Martin: Do you have any of those numbers here with you today, for both forestry and manufacturing?

Ms. Isabelle Amano: Not specifically. This is just federal finances overall, not specifically for the sectors.

Mr. Tony Martin: You haven't done that analysis, coming out of that sector.

Ms. Isabelle Amano: No.

Mr. Tony Martin: Can you take a guess at what the impact might be in billions of dollars?

Mrs. Nancy Horsman: I can only speak to business income tax revenues, but those take a long time to come in. Right now, the fiscal year we have that we're satisfied is complete data is 2005. So any data we'd be providing you on that kind of question would be a forecast, which, as Isabelle said, is provided in the actual budget documents themselves.

Mr. Tony Martin: I know, from having been in provincial politics, that back in the early 1990s, when we had the recession of those days, both levels of government came to the table in northern

Ontario in a very proactive, generous way to try to restructure a number of major industries across that area. In Sault Ste. Marie alone there were three: Algoma Steel, St. Marys Paper, and the ACR. In Kapuskasing there was Spruce Falls. In Thunder Bay there were a couple as well. Were any of you around then, and do you remember the contribution the federal government made at that time?

I know there was an older-workers program to facilitate some of those workers moving into retirement, so the impact of this wouldn't be so great on them. Also, the restructuring of those businesses and industries gave some relief in terms of employment levels, plus it helped bring in some new people, young people, into the industry. Can you talk to me a bit about the role of the federal government at that time in that particular restructuring?

Mr. Robert Dunlop: Mr. Chairman, I was working in the industry department during that period myself. Each of those deals was quite different, separate, and distinct. I'm not able to recall the different provisions of each and how they were structured.

As you said, the federal government was involved, and the provincial government to one extent or another, in each of those you mentioned. I'd be lying to say my memory was so good that I could go through the details of each.

Mr. Tony Martin: There was an involvement of the federal government at that time to try and turn that industry around. It's not dissimilar to what's happening at the moment across northern Ontario and northern New Brunswick, for example. The federal government was there, was active, and did make a concrete contribution.

Mr. Robert Dunlop: The government of the day chose to become involved in those particular restructures, that is correct.

Mr. Tony Martin: I know we live in a different trade regime at the moment because of the softwood lumber agreement, but were there any recriminations at that time?

Mr. Robert Dunlop: I'd be guessing if I gave an answer. I wouldn't want to answer that.

Pat.

Mr. Pat Saroli: In the steel sector we found the dynamics have changed tremendously, largely as a result of business-led consolidations. It's really not the same industry now as it was back in those days. A lot of that was industry-driven internationally.

We did have quite a few anti-dumping actions, in the steel sector in particular, and it's been very cyclical. It tends to go with the economy. It's hard to say what drives the applications for anti-dumping actions, but usually it goes counter-cycle. If we're in a down cycle you tend to have more applications on anti-dumping.

That being said, the dynamics of the industry have changed because of industry consolidations. For instance, you mentioned Algoma Steel. That has been international and we have fewer companies now, but bigger companies, with consolidations world-wide.

• (1555)

Mr. Tony Martin: One of the things I'm told by the industry as I sit down and talk with them and try to work our way through this is that it's very difficult to attract investment. It's considered to be patient capital that's required in that industry. The money isn't there because the financial institutions that are there now want a quick return on that investment. I think that was one of the reasons the restructuring at that time was successful. Many of those industries are still there today, except that they are now being hit again. This time around the senior levels of government aren't coming to the table in the same way.

I have one other question in terms of looking for a vehicle to deliver some of this. There was some suggestion that the provincial government would have to do that. A vehicle like FedNor, a regional economic development agency, has delivered programs before, above and beyond its already existing budget. Are they vehicles that could be used to deliver some of these programs or this money to those regions that have been hit?

The Chair: That will be the last question.

Go ahead, Robert.

Mr. Robert Dunlop: Thank you, Mr. Chairman.

Certainly FedNor has terms and conditions that would allow it to do those kinds of activities. The question of whether it could be done as a year-end measure was put to us earlier, and year-end measures can't be delivered through government organizations or programs. So FedNor could do these kinds of activities, but they couldn't be funded with the 2006-07 projected surplus.

The Chair: Thank you very much.

We'll now go to the second round of five minutes each.

We'll go to Mr. Pacetti.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Thank you, Mr. Chairman.

I'm sorry for getting here late and missing the opening remarks by the officials.

I have a quick question. What is the difference between the communities fund that the present government has potentially announced and the \$6 billion we're looking at here?

Mr. Robert Dunlop: For the community development trust, the terms and conditions cover a number of potential elements: job training and skills development as identified in local regions; measures to assist workers in unique circumstances who are facing adjustment challenges; funding to develop community transition plans; infrastructure initiatives to support diversification; and other economic development and diversification initiatives aimed at helping communities manage transition and adjustment.

The main difference is that the proposal here would be limited to the forestry sector, as opposed to communities generally, whether they're facing a problem because of forestry, manufacturing, or some other economic—

Mr. Massimo Pacetti: I think in the motion it says “forestry and manufacturing sectors” and then.... I don't have a copy of what you're reading. Your first criterion is worker skills.

Mr. Robert Dunlop: It is job training, yes.

Mr. Massimo Pacetti: It is job training. Wouldn't that be similar to the \$1.5 billion that would be used for support measures for workers affected by the crisis? So that would be similar there.

Mr. Robert Dunlop: That's correct, yes.

Mr. Massimo Pacetti: We're just talking about a money difference, whether it should cost \$6 billion or \$1 billion. When is this going to be accounted for? For the communities fund, that's going to be accounted for as of the March 2008 year-end.

Mr. Robert Dunlop: The proposal the Prime Minister made said that funding would come from 2007-08, the current year.

• (1600)

Mr. Massimo Pacetti: How would the conditions be any different? Because some of the initiatives in the proposal you have in front of you are also for programs that should not be accounted for in the 2007-08 year-end.

Mr. Robert Dunlop: No, the issue here is that in the proposal the Prime Minister made—and I'm only reading from the background that was issued at the time of the announcement—based on these objectives, the federal government would engage in discussions with the provincial governments and territorial governments to create a trust to which they would have access.

Mr. Massimo Pacetti: So there would be no additional programs put forward by the federal government. It would all be done through the provinces. That way the money would be distributed before March 31. Is that correct?

Mr. Robert Dunlop: For this particular proposal, that's correct.

Mr. Massimo Pacetti: Now, again, if I just look at money, and if we find a way to make this \$6 billion work, can we not spend the \$6 billion before 2008 if we transfer it to the provinces?

Mr. Robert Dunlop: A transfer to the provinces could be accounted for during the current fiscal year.

Mr. Massimo Pacetti: Would you have a problem with that?

Mr. Robert Dunlop: Well, that's really a decision for the government to make based on the other priorities it has.

Mr. Massimo Pacetti: Do you think there would be no money? The \$6 billion would still be available. What's your forecast look like for this year?

Ms. Isabelle Amano: As I said earlier, the forecast I can give you is what the minister tabled in October. The government will give an updated fiscal forecast at the time of the budget, shortly.

Mr. Massimo Pacetti: Surely we have *The Fiscal Monitor*, and there have been some changes made.

Ms. Isabelle Amano: I don't have the details of *The Fiscal Monitor* with me. I can speak to you about recent economic developments....

Mr. Massimo Pacetti: From what I understand, you're telling me that there isn't going to be any surplus this year.

Ms. Isabelle Amano: Pardon me?

Mr. Massimo Pacetti: Is there not going to be any surplus this year?

Ms. Isabelle Amano: I can tell you that the surplus that was projected at the time of the economic statement—

Mr. Massimo Pacetti: Yes, but then I could subtract the reduction in taxes and the reduction in GST. There has to be some kind of estimate you made.

Ms. Isabelle Amano: The GST measure was included in the forecast of October, and we'll let the minister—

Mr. Massimo Pacetti: It was the November *Fiscal Monitor*.

An hon. member: [*Inaudible—Editor*].

Mr. Massimo Pacetti: If the Bloc wants to ask questions, you can give it to them.

The Chair: No, go ahead.

Mr. Massimo Pacetti: For the budget, I understand this fund has been separated; it's just been announced. Are you aware of this, or that the communities trust fund...?

Mr. Robert Dunlop: I've only seen a story on the wire service that an announcement may be made.

Mr. Massimo Pacetti: Is that going to affect when the budget's going to be tabled? Do you have any idea of when that's going to happen?

Some hon. members: Oh, oh!

Mr. Massimo Pacetti: I'm sorry to ask this of the Department of Finance, but if you're telling me that we should be asking this in the immigration committee, then we'll have the immigration folks come over.

The Chair: The time is gone, but we'll allow a response if there is an answer.

Mr. Robert Dunlop: Mr. Chair, the convention is that the Minister of Finance announces when a budget day will be, and we find out at the same time the announcement is made.

The Chair: That's okay. He's on a learning curve.

We'll go to Mr. Wallace.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chairman.

I'll be brief, and I will share my time with my colleague, Monsieur Petit.

I have one question about one of the items mentioned in the motion here, the Technology Partnership Canada fund, which I think is now defunct or has been redone to become what I would say is a more specific program with aerospace and defence initiatives. I want an answer whether I'm right or wrong about this. I think there were some issues with the transparency of TPC and how it was operated.

I did get one person come to my office to tell me a story about how a company that he worked for handled getting money and what not. It was a bit disturbing, but hearsay, so I'm not going to repeat it.

From a finance department point of view, what is the difference between the old TPC program and the new SADI program?

Mr. Robert Dunlop: Mr. Chair, the question is correct. There was a TPC program that no longer exists; its terms and conditions expired at the end of 2006. It was replaced by the strategic aerospace

and defence initiative that the new government announced. That program is limited to aerospace and defence, as opposed to being more generally available, and its funding level was reduced accordingly.

Mr. Mike Wallace: So it's much more specific.

Mr. Robert Dunlop: Yes, it's more specifically targeted at specific areas of industry.

Mr. Mike Wallace: Okay. Thank you very much.

I'll share my time now.

The Chair: Okay.

Monsieur Petit.

[*Translation*]

Mr. Daniel Petit (Charlesbourg—Haute-Saint-Charles, , CPC): Thank you very much. My question is for Mr. Dunlop.

I want to be sure that I understand you correctly. You stated in your opening remarks that you were here to provide information, and nothing more. At least, that is what I understood. I am curious about one thing. I am from Quebec and for some time now, the federal government has been transferring funds to certain programs. I either heard about this in Ottawa or read about it in the Quebec press. You spoke of transfers to the province for program implementation, for instance, for immigration programs.

For starters, the federal government awarded \$200 million, \$120 million of which were spent. No one knows what became of the remaining \$80 million.

Secondly, through equalization, Quebec received \$466 million, funding that was not included in the province's budget. That money is gone.

Thirdly, with respect to manpower qualification, the federal government has shifted responsibility for labour force training to the provinces, which have set up single-window offices to deal with areas under shared jurisdiction.

I find this situation disturbing. First of all, how do you keep track of the funds allocated to the provinces and which, as a rule, should go to workers? There is something seriously wrong here. The provinces are taking these funds, but are not giving them to workers or directing them to existing programs, such as manpower qualification or manpower training, all because a network of single-window offices is now in place.

I am also curious about another thing. When we talk about employment insurance, we often talk about older workers. In the forestry sector—my son works in this sector for Kruger in Trois-Rivières—most workers are unionized. Collective agreements are in place and the youngest workers are laid off when a plant closes. The shop steward remains on the job, because he is protected by the collective agreement.

Furthermore, these persons are said to be older workers. Perhaps Mr. Dunlop could tell me how one defines an older worker. Young people start working at the plant at the age of 18 years and stay there anywhere from 25 to 30 years. By then, they are 43 or 48 years old. Is that person considered an older worker? What exactly do you mean by that? Are you talking about someone who is 60 or 65 years old? That is what I'm trying to get my head around.

Once you have determined who the older workers are, how do you ensure that the funding goes to them? I don't know how it works in Ontario, but in Quebec, the money that comes in is not necessarily used to help workers. I would like to know what oversight mechanisms the Department of Finance has in place.

• (1605)

Mr. Robert Dunlop: Mr. Chairman, I believe my colleague Yves Giroux is the person to answer these questions.

Mr. Yves Giroux: You have asked several questions. On the positive side, the federal government provides transfer payments to provincial governments and generally allows them some flexibility in terms of allocating the funds to priority areas.

With respect to labour force training, older workers are one targeted group, along with others, for example, workers who have been unemployed for some time, new labour force entrants and new immigrants. How do we determine if the government is spending the money well in a particular sector? Pursuant to the transfer agreement, the provincial government undertakes to allocate the funds to labour force training, including training for persons with disabilities, new entrants, and so forth.

To my knowledge, there is no specific target as such for these categories of workers or individuals. Indeed, the funding is earmarked for labour force training in general, and this includes the agreement respecting criteria. Therefore, it is impossible to say for certain if older workers receive a specific share of the contributions. We trust that the Quebec government will spend the money on labour force training. As for whether a specific amount of money is earmarked for older workers, that is a question for the Quebec government to answer. I know that funding is allocated differently, according to the regions and their respective needs.

As for when a worker is considered to be an older, or senior worker, as a rule there is no set criteria, but unfortunately, after the age of 50, a worker is often considered to be an older worker. I haven't yet reached that milestone, but sometimes I feel quite old, especially when we are working on a budget to be tabled lord knows when.

You also spoke about immigration. That is a very unique case. There is a very special and very generous agreement in place between the federal government and the Government of Quebec respecting immigration. Transfers for immigration continue to increase, regardless of the number of immigrants who choose to settle in Quebec or where they are from. Worst case scenario, federal funding for immigration will remain constant. However, funding levels never decrease, but rather tend to increase steadily.

Recently, the newspapers reported that the Quebec government spent a considerable amount of its own money on immigration. The fact remains, however, that it also spends money that it receives from

the federal government. It is very difficult to ascertain how much of its own money it spends over and above the federal funds it receives, given that the agreement was signed almost 20 years ago.

• (1610)

[English]

The Chair: Thank you.

We were going to go to the question on the motion, but we have one more questioner.

Mr. McKay.

Hon. John McKay: This community trust that's just been announced—which you're reading off the wires just like we are—I take it would require a creation of a third-party entity in order to be able to receive any funds at all. Is that a reasonable assumption?

Mr. Robert Dunlop: Mr. Chair, no. I'm reading from the backgrounder issued on January 10 by the Prime Minister on the proposal to create a trust with the provincial governments. The payment would be into a trust and the beneficiaries would be the provincial and territorial governments.

Hon. John McKay: Okay, so it's effectively a provincial trust rather than a third-party entity.

Mr. Robert Dunlop: Well, the provinces and territories, not being bodies controlled by the federal government, are the beneficiaries of the trust and will use the contents of the trust for programming in those general areas. That's how it would work.

Hon. John McKay: So essentially the government loses control over the money once it goes into trust.

Mr. Robert Dunlop: It makes a general agreement with the provinces about how the money would be used, and the provinces are responsible for delivering the programs.

Hon. John McKay: Thank you.

The Chair: Thank you.

With that, I see no more questions, so I want to thank the witnesses for coming forward and answering the committee's questions.

We'll now go to the motion. If Mr. Crête is still interested in moving it, we will accept it at this time.

Go ahead.

[Translation]

Mr. Paul Crête: I will consider the motion moved, unless you want to move it again. I simply wanted to make a quick comment about the subject-matter of the motion.

[English]

It's important that each member of the committee listens to what I say.

[Translation]

First of all, as I see it, this motion merely goes over the same ground the Minister of Finance should have covered in his economic statement. The Minister of Finance should have committed himself to this initiative in the budget. The Prime Minister had said that the creation of a \$1 billion communities trust fund would be tied to the budget. We have just received confirmation today that he has changed his mind about this, and I applaud him for this decision. I think he did the right thing by reversing his position.

That being said, this motion involves the use of the current year's surplus. According to the economic statement, if \$1 billion of the surplus is used for the trust, an additional \$10.3 billion of the current year's surplus would still be available. Given the size of the surplus, there will still be money available, even after the funds mentioned in the motion have been allocated. There is nothing stopping the federal government from introducing a bill to allocate these surplus funds, as the motion is proposing. This is not technically impossible. The proof is the creation of the communities trust fund.

Mr. Del Mastro, you are wondering if this could potentially lead to problems with the United States. Canada has already acted and set up a trust. One billion will be allocated to that trust to assist the manufacturing and forestry sectors. All we're asking is that \$1 billion be allocated to the forestry sector. It is merely a matter of dollars, since the initiative has already been carried out.

Two financial decisions which the committee has already endorsed are part of the motion: the decision to allocate \$500 million for Technology Partnerships Canada and \$1.5 billion in reimbursable contributions. These decisions were part of the unanimous recommendations of the Standing Committee on Industry, Science and Technology. The committee adopted a motion respecting these recommendations. The Conservatives abstained from voting, but all of the other committee members endorsed the motion.

The same can be said for employment insurance. The Employment Insurance Act makes provision for pilot projects to be set up. At present, six pilot projects are under way. If the motion were adopted, if the government were to embrace it and if the political will existed, all the government would need to do is invoke this provision to create a \$1.5 billion reserve fund through the pilot project that has already been funded.

With respect to senior workers, the difference in terms of the current amounts has to do with an income support program. This program is designed for persons who have done everything to find a job but still find themselves unemployed. It has been scientifically proven that 20% of all laid off workers 55 years of age and older will not find another job. Often, it is out of their hands. Employers are not interested in hiring them because of higher health and safety costs and so forth.

Therefore, this motion comes close to what the government should have proposed, but did not, in December in its economic statement. We're attempting to rectify this oversight. The government has already agreed to make amends in part by creating the \$1 billion fund.

That, in essence, is the aim of my motion, one that I hope will be endorsed by the committee.

• (1615)

[English]

The Chair: Okay.

We have had the motion officially moved. Everyone has heard it. Is there any further debate on the motion?

Do you want to debate the motion?

Mr. Tony Martin: I do, to say that I think we have to do something as a federal government to be helpful here. We have whole towns hanging by their fingernails across this country. I'm speaking particularly for northern Ontario. I've travelled across northern Ontario over the last two or three months and have met with community leaders, industry leaders, and individuals who are just beside themselves as to what they're going to do.

It's easy to say, as we've heard here, that you just pick up and go to Alberta or something. It's not as simple as that. These are folks, a lot of them older workers, who have spent their whole lives in this industry and have made major investments in their homes and their camps. Some of them have started small businesses. Now it's all being lost while we sit back and simply allow the forces of the market to determine what the end result will be.

These are real people, real families, and communities that could be viable and vital again with a little support and a little help from here. We saw this—I saw it personally—in the early nineties, in northern Ontario again. I was the provincial member of Parliament for Sault Ste. Marie when Algoma Steel and St. Marys Paper hit the skids. The ACR was bleeding to the tune of about \$10 million a year because of all of that.

The federal and provincial governments came to the table with resources, giving leadership in a way that sees those industries all today vital and viable in that community. There were a number of them across the north that experienced the same reality and were restructured in that same way.

I'm saying that we need to do something. It was good news today to hear that the government was actually going to flow the billion dollars, not hold it hostage or play politics with it in terms of the budget. That money is desperately...

I'm sorry...?

The Chair: We have a motion. Direct any comments through the chair, please.

Mr. Tony Martin: I'm sorry about that.

I just wanted to say that I'm pleased that the billion dollars is moving, but it's not going to be enough. We've said from the beginning that it's not going to be enough, when you look at all of the communities that are being affected.

I was in Welland two weeks ago, talking to folks there. There's community after community in that region, the Niagara Peninsula, being hammered by the downturn of the manufacturing sector.

So \$1 billion isn't going to do it. Certainly this suggestion and motion by the Bloc is a step in the right direction.

I don't know whether you're interested or not, but if you cross northern Ontario, here are the numbers we're looking at, Mr. Chair. For Tembec in Smooth Rock Falls, there are 230 people; for Tembec in Kapuskasing, 65; for Excel Forest Products in Opasatika it's 78 people; for Tembec in Timmins, 100. The list goes on and on. I could go on for five or ten minutes here.

The Chair: No, we wish you wouldn't do that. I think you've made your point.

Mr. Tony Martin: I haven't made my point yet.

These communities have asked me to bring their voice to whatever table I can get access to, to make it clear that their livelihoods are on the line here. Everything they've invested in is on the line here. In some instances, I'm sure their very families are at risk. We need to do the right thing in their interest, and I think this is a move in the right direction.

The Chair: Thank you.

Just to correct, for the record, there's a tremendous amount of softwood and forest product industry in Alberta as well.

We have committed to the vote, but before we vote, we'll read back the motion. I want the clerk to read back the motion.

[Translation]

Mr. Paul Crête: I would like a recorded division.

[English]

The Chair: You're asking for a recorded vote; fair enough.

We'll read the motion and we'll have a recorded vote.

[Translation]

The Clerk of the Committee (Mr. Jean-François Pagé): The motion reads as follows:

That the Committee recommend to the government, in view of the serious crisis in the forestry and manufacturing sectors, that it implement without delay an improved assistance plan for the forestry and manufacturing sectors, including \$500 million to restore Technology Partnerships Canada; \$1.5 billion in reimbursable contributions to allow companies to purchase new equipment; a \$1 billion diversification fund for the forestry industry, to be administered by Quebec and the provinces and allocated among them based according to the size of their forestry industry; \$1.5 billion in support measure for workers affected by the crisis, including \$60 million for an income support program for senior workers and a \$1.44 billion reserve for the employment insurance fund to be placed in a special fund until an independent fund is created; and that the adoption of this motion be reported to the House at the earliest opportunity.

• (1620)

[English]

The Chair: We'll have a recorded vote.

(Motion negated: nays 7; yeas 4)

The Chair: In our last meeting, for future business we had a motion on the floor. We were going to talk about some of the guidelines or direction out of that motion. I think Mr. Pacetti and Mr. Dykstra were going to get together to do that. We will have them complete that and will discuss that issue in future business in our Wednesday meeting.

Tomorrow, the Russians are coming.

Where is that meeting going to be?

It's Room 253, Centre Block. It's from 11:30 to 12:30.

Yes, Mr. Pacetti.

Mr. Massimo Pacetti: Because we were busy with the pre-budget report, I spoke to Rick quickly. What we're going to do is hopefully speak now, and then we have to speak with the researcher, so I'm not sure we'll be ready by Wednesday.

If anything, we may want to do it on a steering committee level and then present it to the whole committee. I think we need to do some work before.... I think what we want to do is properly frame it before—

The Chair: Let's see how you make out and we'll take it from there.

Mr. Turner.

Hon. Garth Turner (Halton, Lib.): Chairman, I have a question for you—maybe it's better posed to the clerk—and it is about this room. Are we going to be in this room continuously or often or always or what?

The Clerk: We have 24 standing committees and we have 15 or 16 rooms, so there's a fight for them. It's hard to always get the Centre Block. I'm trying, but sometimes they are already booked. I don't do it on purpose. We take the room that is available. And we called this meeting only Friday afternoon because we had witnesses from the finance department confirm.

I'm trying my best to get the Centre Block, but—

Hon. Garth Turner: We know we have meetings every Monday and Wednesday afternoon, though— isn't that correct?

The Clerk: Yes.

Hon. Garth Turner: Are we going back there on a regular basis for those meetings that we know about?

The Clerk: We're supposed to be at the Centre Block next Wednesday.

Hon. Garth Turner: Okay.

The Chair: Mr. Crête.

[Translation]

Mr. Paul Crête: I wish to speak to the same topic. In the 14 years I have spent in the House, my impression has always been that the finance committee has priority 90% of the time when it comes to televising proceedings in the Centre Block. It would be good if this were to continue being the case, particularly as the committee holds its pre-budget and budget meetings in the coming months, and if the persons in charge of assigning rooms take this into account, so that at the earliest opportunity, we are...

Even today, while we cannot agree, we can still respect each other's views. However, for the sake of public opinion in Canada, it would be important to televise as many of our meetings as possible, to keep the public apprised of the situation. I hope that as many meetings as possible are televised.

[English]

The Chair: The point is well taken. I think the clerk will take it under consideration.

With that, we'll call the meeting adjourned.

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