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# Standing Committee on Industry, Science and Technology

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EVIDENCE

**Thursday, March 18, 2010**

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**Chair**

**The Honourable Michael Chong**



## Standing Committee on Industry, Science and Technology

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• (0900)

[English]

**The Chair (Hon. Michael Chong (Wellington—Halton Hills, CPC)):** Order, please.

Good morning to members of the committee and good morning to our witnesses.

Welcome to the third meeting of the Standing Committee on Industry, Science and Technology on this March 18.

We'll be meeting for the next two hours and hearing testimony from the minister. I understand the minister has to leave at 10 o'clock, so we'll be hearing from him for the first hour, and then the second hour we'll be hearing testimony from members from Industry Canada.

So thank you all very much for coming.

We will begin with an opening statement from the Minister of Industry.

**Hon. Tony Clement (Minister of Industry):** Thank you very much, Chair, and thank you for the opportunity to be here with the members of the Standing Committee on Industry, Science and Technology.

Before I begin, I'd like to introduce my team. There is my able and hardworking deputy minister, Richard Dicerni, and my senior associate deputy minister, Paul Boothe. And Kelly Gillis is the CFO. Certainly they can answer any technical questions that I cannot answer.

Let me start by just of course reminding you that last year was a period of considerable economic turmoil. As you know, the global economic situation had seriously deteriorated and Canadians and their businesses were caught in the crosswinds, as it were, facing weakened demand, eroding cost competitiveness, uneven access to capital, and major restructuring in some sectors.

Now, in the face of this global downturn, we coordinated with our G20 allies and we acted decisively, investing almost \$30 billion to support the Canadian economy through our economic action plan. This was instrumental in stimulating growth, creating jobs, assisting individuals, renewing our infrastructure, and supporting businesses and communities.

We also focused on building a long-term advantage, based on competitive taxes, renewed infrastructure and skills, a tariff advantage, reduced red tape, and our emergence as a global financial sector leader.

Through these efforts we positioned ourselves to emerge from the recession with a stronger economic advantage than before.

[Translation]

I'm pleased to report that our plan is yielding results—Canada has now returned to economic growth. But given the fragility of the global recovery, we know the job is not yet done. Budget 2010 aims to strengthen this recovery and sustain Canada's economic advantage. It recognizes that we must continue to seize economic opportunities, create jobs, develop new products and find new markets.

The Budget has three broad goals. Firstly, it confirms \$19 billion in federal stimulus to implement Year 2 of our Economic Action Plan. Secondly, Budget 2010 lays out a plan to return to fiscal balance. Finally, it introduces several targeted investments to attract capital, boost innovation, and position us for the economy of tomorrow.

[English]

My department, Industry Canada, is active in overseeing and implementing initiatives in support of these goals. Some of the top-of-mind issues that we have been dealing with, and will continue to deal with, include science and technology, manufacturing, and support for small business.

Certainly we're attempting to create a climate that encourages business, innovation, and productivity, and this type of climate is what will allow us to innovate, to move up the global value chain, and to succeed in the competitive global marketplace.

Let me touch briefly on some of these issues. The first is science and technology.

Now, I don't have to tell you that S and T and innovation are at the heart of Canada's value proposition as a player in the international marketplace. Our government has recognized that research and development is a key driver of long-term economic growth and that discoveries stemming from research help improve the quality of life of Canadians.

Canada ranks first amongst the G7 countries in terms of expenditures on research and development in the higher education sector as a share of the economy. Canada's economic action plan built on this strategy by providing an unprecedented \$4.9 billion in additional funding for research infrastructure, research, highly skilled people, and commercialization.

•(0905)

[*Translation*]

Budget 2010 continues this momentum by providing additional funding to support world-class research and researchers. This includes new investments in our universities and colleges to help Canadian researchers make transformative discoveries that contribute to our future well-being and create short-term economic activity and jobs.

[*English*]

From the pacemaker to insulin, Canadian researchers have made discoveries that have changed the lives of people around the world.

To ensure that we continue to be innovation leaders, we have substantially increased funding for Canada's federal granting councils, our most direct means of support for academic research. With Budget 2010, we have increased the funding to the Canadian Institutes of Health Research, the Natural Sciences and Engineering Research Council, and the Social Sciences and Humanities Research Council by \$32 million. These funds will enhance our support for new and promising researchers and sustain our overall support for researchers at Canada's universities, colleges, and research hospitals.

Other support initiatives from Budget 2010 include \$8 million per year for the indirect costs of research programs to help post-secondary institutions support the additional research activities to be funded by the granting councils and \$45 million over five years to the granting councils to establish and administer the Canada post-doctoral fellowships program. When fully implemented, the program will annually fund 140 new, taxable, two-year post-doctoral fellowships valued at \$70,000 each per year.

Then there is \$15 million per year to the college and community innovation program to support additional research collaborations between businesses and colleges. There is \$222 million over five years to support research and commercialization activities at TRIUMF, Canada's premier national laboratory for nuclear and particle physics research. There is also \$75 million in 2010 for Genome Canada to allow it to launch a new targeted research competition in a priority area and sustain funding for the regional genomics innovation centres.

Our government recognizes that increasing business investments in research and development will be crucial for our long-term competitiveness. Accordingly, Canada's economic action plan provided \$1.1 billion over two years to commercialize technological advances and encourage businesses to invest in innovation. This includes: \$200 million in enhanced funding for the industrial research assistance program; \$400 million to support advanced clean energy research, development, and demonstration; \$400 million to accelerate the adoption of transformative clean technologies in the forestry sector; and \$63 million to support advanced technology development by Canada's space industry.

Government investments constitute one part of the equation. The other part, of course, involves the private sector adopting innovative technologies that can help advance their businesses. Budget 2010 builds on these investments with over \$260 million in new funding to encourage Canadian businesses to invest in research and

development and to commercialize these innovations into new products and services.

New resources provided through Budget 2010 include: \$135 million over two years to foster regional networks of innovation across the country through the National Research Council technology cluster initiatives program; \$30 million over two years to enable applied research collaboration between colleges and local firms through the college and community innovation program; \$40 million over two years for a pilot small and medium-sized enterprise innovation commercialization program, under which federal departments will demonstrate the application of innovative products and technologies developed by smaller companies; and \$8 million over two years to extend the international science and technology partnerships program, which provides seed funding for private sector partnerships on industrially oriented science and technology projects with commercialization potential.

•(0910)

[*Translation*]

As many Canadians recognize, some of our best applied science comes from our efforts in regards to Space. For modern economics, space technologies are an increasingly critical element of basic infrastructure transforming our work and leisure activities and the government's ability to protect sovereignty and the safety of our citizens. To support enhancements in space technology, Budget 2010 announced that \$497 million will be invested over five years in the RADARSAT Constellation Mission (RCM), Canada's next generation of Earth observation satellites.

RCM is being built by Canada's space sector, providing industrial opportunities, enhancing global competitiveness, and securing knowledge-intensive jobs in Canada. This Government's investment in space will strengthen Canadian Science & Technology excellence, foster industrial innovation and commercialisation, and position Canada for continuing economic growth in the global knowledge economy.

[*English*]

To ensure that federal funding is yielding maximum benefits for Canadians across the country, the government will be conducting a comprehensive review of all federal support for R and D to improve its contribution to innovation and economic opportunities for business. The review will inform future decisions regarding federal support for R and D. In moving the economy forward, we're determined that Canada be a leader in the digital economy, and this will take the concentrated efforts of governments, academia, and business all working together.

We will focus on enabling the ICT sector to create new products and services, to accelerate the adoption of digital technologies, and to contribute to increased cyber security. As a key step, Budget 2010 announced that the government will launch a digital economy strategy. As part of our broader strategy to make the Canadian economy more competitive, our government will also open Canada's doors further to foreign investment in some key sectors, including the satellite telecommunication industry, giving Canadian firms access to the funds and expertise they need to compete effectively on the global stage.

Our government is also committed to strengthening the competitiveness of our manufacturing sector. If S and T innovation is at the heart of our economic growth, our manufacturing, of course, is the backbone. Canada's manufacturing sector directly contributes about 15% of our GDP and employs close to 1.9 million Canadians, mostly in full-time jobs. I don't have to tell this committee that the sector has faced some challenges recently. But we are looking forward and are taking action on a range of critical measures to further investments in productivity-enhancing equipment and machinery.

The elimination of 1,541 tariffs on manufacturing inputs and machinery and equipment will position Canada as the first country among its G20 partners able to boast that it is a tariff-free zone for manufacturing.

[Translation]

This means that Canadian manufacturers will be able to import goods for further production in Canada without the burden of tariffs and the costs of complying with certain customs rules such as rules of origin.

Estimates from standard economic models suggest that these measures could help create 12,000 jobs over time.

[English]

When combined with other Canadian advantages, such as a solid financial system and the lowest overall tax rate on new business investment in the G7, this initiative will make Canada an even more attractive place for business investment.

Mr. Chair, I think I have a couple of minutes left, so I will scan through the rest of my notes. I will certainly take any questions you have about small businesses—perhaps I can leave that to the Q and A—and how we are addressing small business issues and making sure that the needs of these credit-worthy businesses are taken into account as the economy recovers. I can certainly talk about the vehicle and equipment financing partnership being undertaken by the BDC as well, and talk a bit about venture capital, if the committee so desires.

I just want to close by thanking the committee.

● (0915)

[Translation]

I'd like to thank you for your time this morning.

Let me reiterate that I think Budget 2010 sets us on the right course. My department is working diligently to deliver on these priority initiatives. We will ensure that due diligence is completed and that our actions are accountable to the Canadian taxpayer.

And we will continue to pursue measures that best position Canada to be a leader in the economy of tomorrow.

[English]

At this point, Chair, I am interested in answering any questions the committee may have. Thank you.

[Translation]

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

We will begin with Mr. Garneau.

**Mr. Marc Garneau (Westmount—Ville-Marie, Lib.):** Thank you, Mr. Chair.

Thank you for being here to speak to us this morning, Mr. Minister.

Thank you to Mr. Dicerni, Mr. Boothe and Mrs. Gillis.

[English]

I will get to my first question right away.

You spoke, Minister, about the importance of the government's economic action plan. I would like to see clarification on one particular table in the economic action plan that is extremely important. It is Table A1.1, called "Expenditure and Tax Multipliers". It's an important table, because I believe it makes certain assumptions that are important in projecting future GDP growth and jobs. Those multipliers are given in table A1.1.

**Hon. Tony Clement:** Could you tell me the page number?

**Mr. Marc Garneau:** It's on page 281, sir.

**Hon. Tony Clement:** Thank you.

**Mr. Marc Garneau:** I have copies here if anybody wishes to have them. Unfortunately, because my assistant is sick at the moment, I only have English copies. I know that I need to have copies in both English and French, but if people want copies, I have the English version.

Minister, on page 281, a number of expenditures are tabled on infrastructure investment, housing investment measures, and EI premiums. To the best of my knowledge, these are temporary and will cease at the end of March 2011. I assume I'm correct on that.

For the multipliers, if one looks at the comment in brackets at the top, it reads "dollar impact on the level of real GDP of a permanent one dollar increase in fiscal measures". My question is about the word "permanent". The assumption is that these are permanent, and yet many of the expenditures are supposed to end on March 31, 2011. Would that not call into question the multipliers and their use in terms of projecting future GDP growth and jobs?

**Hon. Tony Clement:** Let me try to answer your question to the best of my ability. I'm sure the finance minister will have a perspective on this as well.

Part of the answer may lie in the fact that when you invest, particularly in capital infrastructure, it can provide full-time permanent jobs. For instance, last week I was in Hamilton, Ontario, for the opening of the David Braley Cardiac Vascular and Stroke Research Institute, which had a contribution of about \$45 million from the federal government. There was no contribution by the provincial government in this particular case, but there was certainly a contribution from David Braley, who, as a philanthropist, put \$10 million into that project. They expect 200 full-time jobs from the institute being in place. It's a world-class institute for cardiac vascular and stroke strategies. It's one example.

Within the knowledge infrastructure program, Mr. Garneau, I can certainly tell you that these buildings that are rising in our colleges and universities will employ researchers, trainers, and others involved in making sure our economy is innovative and competitive. There are permanent spinoffs as a result of one-time funding. It could be part of the explanation.

I don't know whether anyone else wants to add anything.

● (0920)

**Mr. Paul Boothe (Senior Associate Deputy Minister, Department of Industry):** Yes. I basically think the term “permanent” refers not to the length of time for the spending measure but to the impact on the economy. For example, when spending measures are directed at consumption or at things that will have a short-term impact, the impact on GDP is temporary. When spending is aimed at capital stock, it increases the capacity for workers to contribute more productively in the future.

**Mr. Marc Garneau:** Mr. Boothe, in the case of housing investment measures, is that not a temporary measure?

**Mr. Paul Boothe:** No, because when you look at the calculation of GDP, GDP measures housing as a flow of services over time. The impact on measured GDP would be for the life of the capital that's produced, the housing stock.

**Mr. Marc Garneau:** I would appreciate a more detailed answer. If I could, may I ask for a more detailed answer on this through the committee? The word “permanent” is used here and it seems to imply that the expenditures are of a permanent nature.

**Hon. Tony Clement:** We'll have to contact Finance to get a more detailed answer for you.

**Mr. Marc Garneau:** Thank you, Mr. Minister.

**The Chair:** If you could direct it to the clerk, she'll then distribute it to all members of the committee.

**Mr. Marc Garneau:** One of the things I've been doing is going across the country and speaking at universities. The one single issue that universities have probably talked more about than anything else is on the need to fund indirect costs of research. Yet I notice that only \$8 million is allotted for all of Canada's universities for the year, which is, if I can put it plainly, less than a drop in the bucket. Have you not been told by the universities that indirect costs are their single, most important priority, Mr. Minister?

**Hon. Tony Clement:** I don't remember them saying the “single, most important” priority. It's always raised year in, year out, and where we can, we try to be helpful. Certainly, that \$8 million is an investment the federal government has made in this budget for indirect costs of research.

The feedback we're getting on Budget 2010 from the university sector, for instance, has been very positive. They appreciate the increase to the granting councils and they appreciate the measures devoted to big science, like TRIUMF, for instance. Generally, it's been very positive out there. Allan Rock signed a letter on behalf of the University of Ottawa, for instance, thanking the federal government for its major investments in universities and colleges.

**Mr. Marc Garneau:** Of course, \$8 million for all the universities for one year is really almost insignificant, Mr. Minister, certainly by my estimation.

The president of the CME, as you know, said recently that the reduction in tariffs that you announced in your budget, to quote him, would do very little. When we heard testimony from him at a round table we held in January, he said the most effective measure would have been to do more with the accelerated capital cost allowance, either in terms of loans to allow people to invest or perhaps making it a five-year program.

What is your response to that? That comes from Mr. Jayson Myers, the president of the CME.

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

Just briefly, Minister.

**Hon. Tony Clement:** The elimination of the manufacturing tariffs has been applauded throughout the country by experts, economists, and manufacturers, so I think that is going over relatively well. We're the first in the G20 to do that. It speaks well to our economic leadership worldwide.

The other things we're doing...we are obviously keeping business taxes the lowest in the G7, which is very positive for our manufacturers. For small businesses, changing the rules in terms of venture capital to make it easier for American and other venture capitalists to invest in Canadian companies here in Canada is I think going to be very positive in the manufacturing field and in other fields as well.

**The Chair:** Thank you.

Monsieur Bouchard.

[*Translation*]

**Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ):** Thank you, Mr. Chair.

I too would like to thank the Minister for being here. I would also like to welcome Mr. Dicerri, Mr. Boothe and Ms. Gillis.

Mr. Minister, from what you say, everything seems to be going well. My view is different from yours, particularly when it comes to the manufacturing sector. I would like you to give the committee members some information about the situation in the manufacturing sector, particularly in terms of job losses.

I would also like to know what measures have been proposed by your department. What measures are you thinking about taking in future to reduce the number of jobs lost? It seems that between November 2002 and January 2010 the manufacturing sector lost hundreds of jobs.

I would like to know your opinion on this. I think this sector is very important, but the fact is it has lost hundreds of jobs.

● (0925)

**Hon. Tony Clement:** Thank you, Mr. Bouchard.

This period has indeed been very difficult for the manufacturing sector. However, I can say that our measures in the 2009 and 2010 budgets support the sector in terms of its need for innovation. For example, there are funds, funding, credits for adopting innovation measures. Today we are saying that the rating system for the manufacturing sector is being eliminated. That mainly affects the manufacturing sector.

For small manufacturing companies, there are measures at the Business Development Bank of Canada, for example, to support the SME manufacturing sector. Our budget, our Economic Action Plan, includes all sectors of the economy.

However, I said it is important to support the manufacturing sector and that our economy is not based only on the innovation and knowledge sector. It is important to have a manufacturing sector in the future as well.

**Mr. Robert Bouchard:** Thank you, Mr. Minister. You talked about your economic recovery plan. I am going to tell you honestly that it seems to me to have been designed for Ontario and western Canada.

You spoke briefly about forestry in your statement. My question will not be on that subject. Nonetheless, I would like to say this: your supposed aid to forestry is chickenfeed. This is not the way to rebuild the forestry sector. That is the message I wanted to give you about forestry, as an aside.

My question will deal with the manufacturing sector. In February alone, 11,000 jobs were lost in this sector in Quebec. Earlier, I spoke to you about the manufacturing sector overall and the hundreds of thousands of jobs lost.

Let's talk about the measures. These measures you have proposed do not meet the needs, do not create jobs. Do you not consider it urgent to implement the refundable research and development tax credit to help the manufacturing sector?

**Hon. Tony Clement:** There are a lot of examples that speak to the fact that we are supporting the forestry sector. For example, we have committed ourselves to providing a billion dollars under the Pulp and Paper Green Transformation Program, to help guarantee a greener and more sustainable future for the industry. Pulp and paper plants in Canada are in fact eligible for funding to invest in green technologies that can improve environmental performance, for example. There are other things in the 2009 budget to support the sector, to open more markets, and also to develop new products. We are supporting this industry as we are doing for the others.

● (0930)

**Mr. Robert Bouchard:** It's all very well to propose measures, but what you are telling me doesn't create jobs: companies are still closing down, jobs are still being lost.

I will come back to my question. You talked about forestry. I wasn't looking for an answer dealing solely with forestry. I wanted to talk about the manufacturing sector. There were 11,000 jobs lost in Quebec in February. I am telling you it is urgent to propose a research and development credit refund, rather refundable credits. This measure would help the manufacturing sector. At present there are non-refundable credits. If you make them refundable, for research and development, that would really help the manufacturing sector.

**Hon. Tony Clement:** Certainly we have other views. Nonetheless, I can say in terms of support for innovation and research, for example, we are supporting the companies operating in those areas. In terms of the other things we have done,

[*English*]

As I said, I think reducing the manufacturing tariff down to zero is going to be very important for this sector in the future, and in terms of the Business Development Bank, for these smaller enterprises, the support we're providing for advancing credit and assistance with startups will be helpful, not only in information and communications technology but also in manufacturing.

When we look at it from its totality, you and I may disagree on the specifics. You have some different ideas than we do. But it's not true to say that you're proposing something and we're doing nothing. We're doing some things that you disagree with—that's fair—but we are doing things and we believe they're making a difference.

[*Translation*]

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

Thank you, Mr. Minister.

[*English*]

Mr. Lake.

**Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC):** Thank you, Mr. Chair.

And thank you, Mr. Minister.

In your opening statements you mentioned targeted investments to attract capital, boost innovation, and position us for the economy of tomorrow. I'm interested in hearing a bit more about these initiatives.

In the area of competitiveness, commentators from around the world have commented that Canada is going to come out of this in one of the most competitive positions among industrialized countries. I think it was the World Economic Forum that said Canada will be one of two industrialized countries to come out of the recession in a more competitive position than when we went in.

Some have described our Budget 2010 as an industry-innovation budget. Could you outline what measures in the budget promote innovation and place Canada in that better position to succeed in a competitive global marketplace?

**Hon. Tony Clement:** Thank you for the question. I think it has been identified worldwide that Canada is leading the G7, for instance, with our support for higher education, R and D. Certainly as a percentage of our economy, that is the case. We're not standing pat; as a government we're making other investments as well, in world-class research and researchers.

I mentioned the granting councils getting an extra \$32 million in Budget 2010. There's the new \$45 million Canada post-doc fellowship program. That is a multi-year program—\$45 million over five years. That wasn't just a eureka moment for this budget. This builds on previous investments in Budgets 2006, 2007, 2008, where we had an additional \$2.2 billion in funding for science and technology. The big bang was Budget 2009. When you added it all up, it was about \$5.1 billion in investments, either in capital or people or commercialization projects.

I can talk about Genome Canada. I can talk about RADARSAT for the Canadian Space Agency. I can talk about our investments in medical isotopes and technology clusters. All of these are being invested in right now, and they'll make a big difference in terms of our innovation and competitiveness for the future.

• (0935)

**Mr. Mike Lake:** I had the opportunity at the end of June last year to attend a conference in Ottawa on the digital economy. It was one of the most fascinating things I've done in the four years that I've been a member of Parliament. It was fantastic to see all those people come together to talk about Canada's role in an area that is increasingly growing stronger.

I know we referenced the digital economy in the budget and the Speech from the Throne. I'm wondering how the government plans to continue to engage stakeholders in making sure it addresses their needs as we move forward.

**Hon. Tony Clement:** We'll be launching a discussion paper very shortly that will go to the country. In fact we are doing some things already. There is the 100% capital cost allowance rate for computer hardware and system software. Of course we continue to support the National Research Council's IRAP program—an extra \$200 million over two years. So these things are happening.

The fact is, and let me stress this point from my opening remarks, government is doing its bit, academia is doing its bit, but the problem is business in this country. Business is not adopting innovation to the extent of our competitors and our trading partners. That's a problem.

We want to be part of the solution as a government. I've talked to many university presidents and their organizations; they want to be part of the solution. We are starting to engage big business, small business, medium-sized business to see what we have to do to increase adoption.

One of the cores of the digital economy strategy is to have better adoption of ICT. It also requires us to be the best in the world. That's a stretch target, but a good target when it comes to other aspects of the digital economy. Making businesses and people feel comfortable online—doing their business online, their civic life online, make an economy more competitive, and that's what we'll be shooting for.

**Mr. Mike Lake:** I want to change direction a bit to the area of foreign investment. We've talked a lot about opening up Canada to more foreign investment in the telecommunications sector. Many sectors are already open and seeing the benefits of increased investment. I wonder if you could talk a bit about the successes in this area, both current and maybe future successes.

**Hon. Tony Clement:** The fact of the matter is that all the studies are in, and independent of government studies, they indicate that keeping our economy open so that Canadian companies can partner with foreign capital—or foreign management, in some cases—makes our economy more competitive, gives consumers lower prices, and allows our companies to invest overseas. This is the part that people sometimes forget: keeping an open economy means that other economies have to be open to us as well.

Our Canadian companies are champions at investing overseas. They are creating jobs at home, but they're creating new markets for themselves overseas as well. It's a net plus when you look at companies like Bombardier, SNC-Lavalin, RIM, or Open Text. These are world-beaters. They are taking on the world and bringing new markets to themselves and therefore to Canada. When we have foreign investment here, it's a net plus for us, when done properly and by the rules; it means that new jobs and new opportunities can occur for Canadians.

**Mr. Mike Lake:** I talked a little bit about some of these organizations. I talked about Canada leading the way out in competitiveness. One particularly interesting quote I remember coming out of the meeting of the G7 finance ministers was from Christine Lagarde, France's finance minister, who said, "I think we can be inspired by the Canadian situation", and there were some people who said they wanted to be Canadian coming out of that meeting of the finance ministers. I found that to be an interesting quote.

How did we get here? Obviously we're in a period of global recession right now, but what steps were taken before the recession that you would credit with putting us in that competitive situation as we move forward?

• (0940)

**Hon. Tony Clement:** I think it's important to build the context, as you are doing, and the context is that our financial regulation is the best in the world and is now seen as a model for financial institutions. We are becoming perhaps a place where financial institutions want to do business and house themselves. That's an interesting trend that we'll be following very closely.

I think it's our low tax regime here. We're not trying to overtax Canadians or Canadian businesses. We want them to be tax-competitive. That's a crucial comparative advantage that we face. It's the fact that we are the best in the G8 as a percentage of our economy in terms of public sector investment in R and D. That's a good thing. As I said, there are some challenges with innovation adoption, but overall it's a good thing for our economy, and it's working.

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

We'll now go to Mr. Gravelle.

**Mr. Claude Gravelle (Nickel Belt, NDP):** Thank you, Mr. Chair.

Mr. Minister, I'd like to turn your attention to FedNor. On this issue, you and I have different views.

On one hand, you are more than happy to proclaim the benefits of the Atlantic Canada Opportunities Agency or Western Economic Diversification Canada or Canada Economic Development for Quebec Regions or the southern Ontario development agency.

On the other hand, your favourite pat answers to northerners' requests to have our own stand-alone agency is that we don't need more bureaucracy. Which is it? Usually what's good for the goose is good for the gander, so when will you give northerners their own stand-alone economic development agency?

**Hon. Tony Clement:** Thank you, Mr. Gravelle. Of course, the NDP has been...to be charitable, may have been very consistent on this message.

To me, northern Ontarians are neighbours. They are my communities, your communities. They don't care whether it's a stand-alone agency or it's a division of this or that, or whether it's a director or a captain, or whether we call the executive director of FedNor the Queen of Sheba. It doesn't matter. That isn't what matters.

What matters is that we're delivering high-quality services in partnership with communities and with businesses. That's what matters to northern Ontarians. That's what FedNor does. Its mandate shifts over time, depending upon the economic situation. It's shifting again as we're focusing on job development, job growth, and transformation of the economy in certain northern towns and cities. That's its focus right now.

It has the ability to do that because we're nimble. It's not in a straitjacket of legislation that says this is all it's going to do. We have broad terms and conditions and we allow FedNor to shift and tack with the economic exigencies at the time. I think that's what northerners really care about.

We keep having this debate year after year. Every year that we have a budget, the NDP comes back and says, "Why don't we have a stand-alone agency?" The Liberals do it too. The fact of the matter is that no one really cares about that debate. It's a sterile debate because it's not really speaking to what northerners need. They need a partner in the federal government to deliver jobs and opportunity in a way that is collaborative and effective, and that's what FedNor does and should do.

**Mr. Claude Gravelle:** Mr. Minister, with all due respect, if the people from northern Ontario didn't care about this issue, I wouldn't

be here today asking this question. I'm asking the question because people from northern Ontario would like to make decisions about what affects northern Ontario. That way we could get a lot of projects started much faster. If it's good enough for the other regions, it should be good enough for northern Ontario.

My next question is on telecom. Minister, you talked about changes to allow for greater foreign investment in Canada, including in the area of telecom. I have significant issues with relaxing further rules around foreign investment in Canada. In northern Ontario, foreign ownership has actually resulted in foreign companies breaking their contracts with the federal government, laying off hundreds of workers, and trying to break unions by their attacks on bonuses and pensions. You've done absolutely nothing to stop them. Are you going to hold them to their contractual obligations with the Government of Canada?

With respect to the telecom industry, will you conduct an open, transparent process akin to your process for copyright, or will you sneak it into next year's budget like you did with the previous changes to Investment Canada?

● (0945)

**Hon. Tony Clement:** Thank you for your additions to this debate. I obviously and clearly disagree with your characterization of how we have managed foreign investment in this country since achieving power in 2006.

Let me talk directly to your question on telecommunications. Certainly, it's my intention to have a consultation with the public and with the industry about how to move forward with liberalizing telecommunications investment, allowing telecommunications companies to access foreign investment, if they so choose, or allowing for at least the possibility of Canadian and foreign companies collaborating more closely. Of course, the goal is presumably something the NDP would support, which is better choices for consumers and lower prices. If we're going to have an innovative economy, we cannot have high prices for telecom products. We need lower prices for telecom products, better choice, and more competition. These are good things for an economy to have.

It is bad when an economy doesn't have competition. When an economy is closed rather than open, when it is not open to new ideas and new capital, that's bad for an economy. It actually costs jobs; it doesn't create jobs. So I'm hoping the NDP will look beyond its ideological blinkers and will actually participate with an open mind on this process.

**Mr. Claude Gravelle:** Mr. Minister, we're not against foreign investment and we're not against competitive prices, but we are against foreign companies coming into Canada, taking over our Canadian companies, and trying to implement their third world ideologies on our workers. It's no good for Canada, and it's no good, especially, in my community of Sudbury. It's no good for Port Colborne or Voisey Bay. Is this the same type of reaction we're going to have from these foreign companies that take over our telecommunications companies? Are they going to have the same attitude as these two companies, Xstrata and Vale Inco?

**Hon. Tony Clement:** I guess I would respectfully disagree with your own self-characterization. The NDP was the party that introduced in Parliament a "made in Canada" bill, which would have created responses by other countries we had signed treaties with to close off their own markets to Canadian products. So the protectionism offered by the NDP would actually have cost jobs and markets. It's like the nickel sector. No one in the world believes that if we close off markets to our nickel, Canadians can buy enough nickel to support what is mined in Sudbury. We have to trade with the world.

That's something you say rhetorically you agree with, but your actions in Parliament are very different.

**Mr. Claude Gravelle:** The nickel produced in Sudbury is not produced anywhere else in the world. The quality of nickel is only produced in Sudbury—

**Hon. Tony Clement:** I agree.

**Mr. Claude Gravelle:**—so the foreign countries can't go to Japan to get nickel, because the only nickel they want is in Sudbury. What you're saying doesn't work.

**Hon. Tony Clement:** No, but your actions actually belie your words.

**The Chair:** Okay, thank you very much, Mr. Gravelle.

Thank you very much, Minister.

We'll now go to Mr. Rota.

**Mr. Anthony Rota (Nipissing—Timiskaming, Lib.):** Thank you, Mr. Chair.

Thank you, Mr. Minister, for coming out.

I hadn't planned on talking on FedNor, but Mr. Gravelle brought it up.

I just want to comment on the response that you gave him about what northern Ontario needs. It really enforced the stereotype and paternalism that Torontonians have towards northern Ontario. I just want to say that I don't appreciate it.

The other thing is that in some of your other comments, where you attributed our economic success to 13 strong years of Liberal rule prior to the Conservatives taking over...I just want to thank you for that.

I'll give you some bad, but I'll give you some good as well.

**Some hon. members:** Oh, oh!

**Mr. Anthony Rota:** This morning I want to talk about the community access program, which has been cut. It really hits people in their homes and their small communities.

You understand the program. It allows Canadians affordable public access to the Internet, and it helps Canadians with education, with health, and with business. We talk about business developing, and you have to have access to a lot of the electronic equipment that's out there. Unfortunately, when you're in isolated communities, or you're in rural communities, you don't always have that access.

Letters went out indicating that the funding had been cut. When asked about the funding, both you and Minister Goodyear gave exactly the same answer, which was that the program had fulfilled its mandate.

What did you mean by that?

• (0950)

**Hon. Tony Clement:** Like a moth to a flame, I'm drawn by your first comment.

**Some hon. members:** Oh, oh!

**Mr. Anthony Rota:** But we don't want to kill too much time, because I have a few more questions, so please go quickly on that.

**Hon. Tony Clement:** You talk about stereotypes in northern Ontario. I live in northern Ontario. I work in northern Ontario. I pay taxes in northern Ontario. The problem with your point of view is that's what got Liberals into trouble in northern Ontario. There's only one Liberal seat left in northern Ontario, because they had the arrogance to think that only they could speak for northern Ontario.

**Mr. Anthony Rota:** I'm sorry, but could you answer the question? What did you mean by saying—

**Hon. Tony Clement:** I just wanted to make that clear on the record, since you made the—

**Mr. Anthony Rota:**—this program has "fulfilled its mandate"?

**Hon. Tony Clement:**—veiled attack on my point of view.

**Mr. Anthony Rota:** It wasn't veiled. It was very open.

**The Chair:** One at a time, please.

**Hon. Tony Clement:** It was a direct attack on my point of view. I'll give you that much.

Let me just talk about CAP for a second. You said I gave the same answer as Mr. Goodyear. I did not do that, so—

**Mr. Anthony Rota:** So you're giving different answers?

**Hon. Tony Clement:** I'm correcting the record.

Clearly what happened was that the budget, instead of having one fund for CAP, had two funds for CAP. One fund was closed down except for \$2 million for those CAP sites that were outside a 25-kilometre radius of a competing access point, but the other fund is in fact funding the remaining sites on CAP.

Obviously, one set of letters went out not referring to the fact that there was going to be another fund that was going to pick up the slack. We've corrected that mistake. The funding was always there. It was never cut. It was always part of the budget. It was never not part of the budget. We've corrected the record as quickly as we possibly could.

Letters have already gone out. They were received electronically at the CAP sites yesterday. They're all aware that their funding is in place.

**Mr. Anthony Rota:** Just to clarify, that's the rural broadband strategy. That's what you're talking about. That's where the money will be coming from.

**Hon. Tony Clement:** That's correct.

**Mr. Anthony Rota:** Now, that is geared to capital expenditures. CAP, on the other hand, is geared to programming, if I'm not mistaken.

Were there any changes made in the mandate of this program? I understand that the rural broadband strategy allows for hardware to be put in. The other one is a program. How do you justify that?

**Hon. Tony Clement:** I'm going to leave this for my deputy to answer, Mr. Chair.

**Mr. Anthony Rota:** Very good.

**Mr. Richard Dicerni (Deputy Minister, Department of Industry):** You're all familiar with the program for CAP and what it does. The minister has clarified that the funding will be provided to all the networks in the provinces. The initial information that was conveyed was based on limited information, but now the full scope is available.

In terms of the rural broadband, we have received a number of applications on this program, many more than we had—

**Mr. Anthony Rota:** Could I interrupt for a second? I have a couple more questions, and at the speed you're going, you're going to take up all my time.

I'll give you the questions and you can answer them all. I'm sure the chair will not interrupt you in your wonderful answer.

This is my question. You have the \$200 million there. All of a sudden there's \$13 million that has to be taken from that \$200 million.

Was \$13 million more put into that program? If not, would it be fair to say that Canadians in rural Canada are losing \$13 million to subsidize Canadians in all parts, both urban and rural, as long as they're a little bit out of the way? Basically, was that \$13 million replaced, or was it just taken out of the \$200 million?

I'll let you continue from there.

**Hon. Tony Clement:** Before he answers that, I just want to state for the record that the first cut to this program actually occurred during the Liberal regime.

**Mr. Anthony Rota:** We're not in power any more, Mr. Minister.

**Hon. Tony Clement:** They cut \$20 million out of the program and then left the rest of it. I want to state that for the record.

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

Mr. Dicerni, could you answer briefly? We have Mr. Braid who wants to question in the final round.

**Mr. Richard Dicerni:** The program for rural broadband remains in the same funding envelope as now.

Secondly, in terms of impact and reach, I would say this is a very evolving file, in the sense that Bell, Telus, and other companies are also massively investing in rural broadband. The CRTC has a deferral account. So there are many players involved in broadening access to rural Canadians. The program we have is one such element.

• (0955)

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

We'll now go to the last round before the minister leaves, to Mr. Braid.

**Mr. Peter Braid (Kitchener—Waterloo, CPC):** Thank you, Mr. Chair.

Thank you very much, Mr. Minister, and thanks to your officials for being here this morning.

I note that we just have a few minutes left. I want to pursue and have us elaborate on two topics, if we could. The first is venture capital, and the second is competition in the telecommunications sector, provided we still have time for that second one.

I'll start with venture capital. You touched on this in your concluding remarks, Minister.

I can certainly confirm that our decision to amend section 116 of the Income Tax Act has been widely applauded in my community of Kitchener—Waterloo. Could you please elaborate on why that change is important, first of all, and secondly, on what other initiatives our government has taken to encourage domestic venture capital through, for example, the BDC or other vehicles?

**Hon. Tony Clement:** Sure. I'll try to answer succinctly, Mr. Chair.

First in terms of the domestic market, basically what has happened in Canada and in many other countries around the world is that the VC market has crashed as a result of the world recession, and we've all been trying to pick up the pieces.

We launched a public-private venture capital fund, a \$300 million fund called the tandem expansion fund through the BDC, contributing through the economic action plan. I believe it was \$75 million that went into that fund, and then private sector partners are coming in. That will help, certainly in late-stage commercializations—that's what that fund was directed to.

One of the big problems—and I hope I'm not glazing eyes at this point—was section 116 of the Income Tax Act, which was a withholding provision that made it difficult if not impossible for American or European venture capitalists to invest in Canadian companies in situ. What was happening was that they were dissuaded from investing in a start-up in Cambridge or Waterloo or Montreal or wherever. They would say, "I would like to invest in you, but.... If you move to Boston or to California, we can invest in you there."

What we were actually doing by having section 116 in place was migrating our start-ups to the United States, for the most part. We've amended that; we got it fixed.

I've already heard from the ICT industry that this was a huge win for the industry, and I believe it's going to have a very positive impact.

**Mr. Peter Braid:** Very good.

Do we have time to continue with the telecommunications sector?

**The Chair:** Go ahead.

**Mr. Peter Braid:** On this topic, Minister, in 2006 we had a telecommunications policy review panel, and in 2009 a competition policy review panel. Both panels made a number of specific recommendations for opening up the telecommunications sector.

I want to ask you, if you could, please briefly to highlight what some of those recommendations are and explain which of those recommendations are in the process of being implemented, and through which programs.

**Hon. Tony Clement:** Thank you. In 2008 the competition policy review panel talked about the need for liberalization. They did so because it helps Canadian firms develop strategic global relationships and partnerships, it helps them participate more fully in foreign markets where foreign capital is found and not only Canadian capital, and generally it helps our industries become more competitive when we have that liberalizing trend.

What our Speech from the Throne indicated is that we're pursuing that, for the purposes of this committee, in two sectors: the satellite sector and the telecommunications sector. The satellite sector is being fast-tracked through the budget because it's fairly straightforward. The telecom sector, as I have indicated to my friends who stare at us across the way in the House of Commons, will require some input into the scope of this.

We're clearly not talking about broadcasting, for instance; we're talking about telecom. So how do we, in integrated companies, talk about liberalizing one while the other one is not liberalized? There are these issues that are more than technical, that are quite substantive, which will have to be dealt with in public consultations.

• (1000)

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

Thank you very much, Minister, for coming to appear before us.

We're going to suspend for five minutes to allow the minister to depart. We'll reconvene to then hear further testimony from officials.

I just have one brief question of the minister. I wonder if he could update us on whether or not there are, as mentioned in the Speech from the Throne, any plans on copyright legislation.

**Hon. Tony Clement:** I certainly could update you on that, Chair. Our intention is to bring in copyright legislation this session for the consideration of parliamentarians.

The Hon. James Moore, who has a good chunk of the stakeholders, and I, as the minister responsible for the act, are working very closely together. We'll be seeking the advice of parliamentary committees, I'm sure, at the appropriate time.

**The Chair:** Thank you very much.

We'll suspend for five minutes.

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(Pause)

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• (1005)

**The Chair:** We're resuming and we're going to hear from our three remaining witnesses: Madam Gillis, Monsieur Dicerni, and Mr. Boothe.

We will begin with Monsieur Cardin. But he's not here.

We'll begin with Mr. Van Kesteren, and we'll go back to Monsieur Cardin when he comes back.

**Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC):** Thank you, Mr. Chair. Thank you again for appearing before us.

I had hoped that I was going to get a chance to talk to the minister, but I'm sure you all can also provide us with the answers I'm looking for.

I'm specifically interested in productivity. I know in the four years I've served on the industry committee, one of the areas where we've lagged behind in manufacturing and in much of the other sectors is productivity. I heard a report recently, in the last few days as a matter of fact, that we seem to have corrected that to some degree.

I'm wondering if you could first of all tell us where we have found that correction. Are we seeing a trend in something that has plagued us for a long time? What can we do in Industry Canada to continue to move in that direction? That certainly is going to be one of the primaries if we're going to come out of this strong and healthy in the next few years.

**Mr. Richard Dicerni:** I'll say a few things, and then my colleague Dr. Boothe will provide additional information.

I would say our major focus is innovation. The department has undertaken a number of measures designed to facilitate the manufacturing sector in enhancing productivity. These range from initiatives such as the strategic aerospace and defence initiative program, where we work in partnership with different companies to enhance their production capacity. It's the same approach with the automotive innovation fund.

We've also undertaken a more in-depth look at what explains the fact that the private sector does not invest as much in innovation. So we asked the Council of Canadian Academies to provide a more in-depth report on that, which it released about a year ago. That is a good basis to look at some additional aspects.

The minister referred to the review the government will undertake, which was noted in the budget, of various programs and tax measures the government has, such as the tax credit and some of those other incentive funds. I believe there's not one single answer to the question of productivity, but it is one that we are quite seized of and focused on.

Paul.

**Mr. Paul Boothe:** First of all, I would say—and I think you noted this—that we did get some positive news recently, a 1.4% productivity improvement. One announcement of good news by Statistics Canada is certainly not a trend and it's not time to begin celebrating—although all good news is welcome.

I think it's important for people to focus on what productivity really is. In its essence, it's quite simple; it's output per worker. When we look at firms, we look at how high their output per worker is, and also how it's changing; that's productivity growth.

Some of our productivity problems are measurements. For example, I could talk about the oil and gas sector, which has a high level of productivity, but productivity growth recently has been negative. How can that be? With very high energy prices, it's profitable for firms to exploit reserves that otherwise would not be profitable to exploit. When it comes right down to it, firms seek to maximize profits, not productivity, although in the long term they're linked. Even when you correct for that, we still have poor productivity performance; it's still a worry for Canada.

We've been trying to support firms that are innovating, as Mr. Dicerni said. We have some programs in that respect. In the budget and the Speech from the Throne, the government announced that we're going to have a review of the support for business innovation, and we hope we will get a better understanding through that review of what's at the core of our productivity performance and how we can improve that.

•(1010)

**The Chair:** Thank you very much, Mr. Boothe and Mr. Van Kesteren.

To answer your question, I believe the three areas in which productivity really jumped in the fourth quarter were retail trade, wholesale services, and the information and cultural sectors. That was in Statistics Canada's report for the fourth quarter.

We'll go to Monsieur Cardin.

[*Translation*]

**Mr. Serge Cardin (Sherbrooke, BQ):** Good morning, ladies and gentlemen. I am pleased to meet you.

I had a fine question for the minister. Because it is more political, I won't ask you. I know you are wise enough not to get caught.

On December 11, 2006, the then Minister of Industry announced, by order, that telephone services companies could set whatever rates they liked in all geographic regions where there were at least three competing telephone companies. The Minister explained that the decision arose out of the government's concern for providing better services to the public at a low price, what the Minister was just telling us, in practice.

I would like to know whether, in fact, prices have actually dropped since the 2006 order, and by what percentage on average? I know that may be a somewhat complex question. You probably don't have the answer at your fingertips today. If possible, I would like to have it by region.

So give me your first impression on this. I would like the answer to be sent to the committee in writing.

**Mr. Richard Dicerni:** You're right, I don't have the specific statistics today. There are some points I could make, however.

First, there is more competition in the market than there was three or four years ago. If we look at the efforts Vidéotron has made in Quebec, we see that there is a lot more competition in the market and there are more products on offer to customers.

Second, to follow prices specifically, that's a bit difficult. The companies, and last night I met with the people from Bell, are increasingly doing packaging. There are wireless, Internet and telephone lines. They're doing bundling, which means that measuring a product over four years is a bit more difficult.

The CRTC has done price analyses on a relatively consistent basis. We could look at it with that agency and get back to you with more information.

•(1015)

**Mr. Serge Cardin:** Certainly in more urban areas there are specials offered relatively often. They thumb their noses a bit at old customers, but to get new ones, they offer specials.

In the regions, for example, there is not necessarily that kind of competition.

**Mr. Richard Dicerni:** Because markets are segmented, that policy would be adopted. As Mr. Bernier said, there has to be a minimum number of competitors in the market.

**Mr. Serge Cardin:** I would first like to address the subject of broadband in Canada.

The funds that were allocated were \$225 million over three years. We can look at it by comparing with Quebec, for example. Quebec has already invested \$150 million to help 60 school boards and over 800 municipalities. It is spending several million dollars more on this.

You have a very large number of applications. We're talking about some \$900 million in applications, and you have \$225 million to spend. Do you think that \$75 million a year for three years is really enough to meet the needs and achieve the ultimate objective of expanding broadband Internet access in Canada?

**Mr. Richard Dicerni:** As you know, we in the public service have to work with the money Parliament gives the department. We have the money you referred to and we are doing our best to have the maximum effect. Comparisons are always difficult to make because not every country is starting from the same base.

Recently, Great Britain made a major investment effort. But it was starting from a bit farther back than Canada. As well, as we know, it is a country with a much higher population density than us. I think we are going to make real progress with the money available to us.

As I was just saying, we must not forget that this is not a static situation. Companies like Vidéotron, Bell Canada, Rogers and TELUS are continuing to invest because they want to get market share.

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

Thank you, Mr. Cardin.

Mr. Gravelle, you have the floor.

[*English*]

**Mr. Claude Gravelle:** I'd like to ask the indulgence of the committee to share my time with Niki Ashton.

**The Chair:** Absolutely, go ahead, Madam Ashton.

**Ms. Niki Ashton (Churchill, NDP):** Thank you very much.

I'd like to pick up on the community access program that was raised and the interesting explanation that was brought up earlier. Certainly representing one of the largest rural ridings in Canada, I know very well the importance of investments in this kind of infrastructure and what it means in terms of essential services.

In terms of the information that was brought forward, I am concerned that the capital funds are being used to top up that programming cut. So my question is, what is the situation in terms of capital right now in Canada?

I was visiting a community this past week that I represent and there was a very nice poster from Industry Canada. When I asked what the situation was in their community, they were told they have the tower but they're still waiting on whatever else needs to be done in order to actually have access. So it seems to me that perhaps some element of work has been done, but clearly, the access isn't there. I guess my concern is that this is a truly rural area, and Bell, Telus, and Rogers are not interested in investing there.

What is the infrastructure situation in terms of broadband in rural Canada at this point, and what is the plan, capital-wise or infrastructure-wise, in the next year? What kinds of targets are we looking at? That's perhaps irrespective of private interest, which, I can guarantee you, in areas like mine, except for maybe communities I can count on my two hands, the other dozens will not be seeing that kind of private investment.

• (1020)

**Mr. Richard Dicerni:** We did receive many more requests to our applications than the amount that was allocated. We are reviewing those carefully to target getting the best bang for the buck for those rural communities. The government hopes to be able to make those announcements, I would say, in the spring, as soon as possible. First of all, we had to do some mapping to ascertain what was covered and then put up for offers who would bid on the remaining areas. We've had a number of proposals that have come in that have overlapping territories. So it's a question of analyzing how many people would be reached by what proposal and where do we get the best bang for the buck. So it's a fairly labour intensive type of work. We hope to have it completed fairly soon and have the minister make a subsequent announcement.

**Ms. Niki Ashton:** In terms of information to bring back, is it fair to say that this year will be an active year, at least in some of our regions, when it comes to discerning what the situation is and moving forward?

**Mr. Richard Dicerni:** Yes.

**Ms. Niki Ashton:** Thank you.

**Mr. Claude Gravelle:** Is there time left?

**The Chair:** Yes.

**Mr. Claude Gravelle:** All right. I also have a question on broadband. I've been trying to get answers for one of my isolated communities on broadband, but we've been going at this since August and we're not getting a clear answer.

Did I hear correctly when you answered Ms. Ashton's questions that we'll see movement in the spring in these communities?

**Mr. Richard Dicerni:** There will be a series of announcements in terms of which proposals have been accepted by the government to expand broadband reach.

**Mr. Claude Gravelle:** According to the e-mails I've been getting from the minister's office, my community has been accepted, so in the spring we can expect that something is going to happen.

**Mr. Richard Dicerni:** If the minister's office has—

**Mr. Claude Gravelle:** I should rephrase that. It qualifies. It is not accepted. It qualifies for broadband service.

**Mr. Richard Dicerni:** Obviously we would need to get more specifics, because we carefully mapped out what is left uncovered, so perhaps that is deemed qualified. Then people submitted applications to provide service to most of those areas. What we are doing right now is analyzing all of those proposals and trying to have the best value-for-money impact.

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

Mr. Wallace.

**Mr. Mike Wallace (Burlington, CPC):** Thank you, Mr. Chair. I'm actually going to ask questions about what the agenda was today, about the supplementary estimates C.

We appreciate your coming.

Ms. Gillis, this is likely for you, so you came for the right purpose. They are just for my information, to be honest with you, so I have an understanding.

We have a transfer from the Treasury Board to the industry—from Industry's operating expenditures to their program expenditures—of \$26,000 for a national managers' community. What is that?

**Mrs. Kelly Gillis (Chief Financial Officer, Comptrollership and Administration Sector, Department of Industry):** That is an initiative led by Treasury Board Secretariat where it supports managers across the public service. There are about 4,000 of them, and departments fund that initiative because it's supporting managers within each of the departments.

**Mr. Mike Wallace:** Because this is in supplementary estimates (C), would we not have known about this before? Why wasn't it in an earlier supplementary or in the main estimates?

• (1025)

**Mrs. Kelly Gillis:** The transfer is done through the supplementary estimates, and actually we made an initial payment through the supplementary estimates (B) of \$48,000. This is just the remaining portion of our bill.

**Mr. Mike Wallace:** Would we not have known that back in the fall?

**Mrs. Kelly Gillis:** We would have known a portion of it, and we were probably talking about how much it was actually going to cost because it's a per capita, per head count, so it's a formula-based calculation.

**Mr. Mike Wallace:** I only have five minutes. I'm sorry.

My view is that we have too many supplementary opportunities for government departments. Is there not a way—and I'm using this little example—that we could not have planned this better so that we wouldn't have this in supplementary estimates (C)? Is there something that should be done to that program to allow us to say, okay, this is how much money we have for the year and we're not going back for the third time to Parliament for cash?

**Mrs. Kelly Gillis:** Certainly we could speak with the Treasury Board Secretariat to see how the funding model could be advanced.

**Mr. Mike Wallace:** Can I ask you a general question on this, then? I'm looking at pages 80 and 81. There are all these transfers. I'll give you an example. In our own department—I'm calling it “our own department”—we have a transfer from Corrections Canada. We have nothing to do with it. I don't understand. Can you just pick money from programs from anywhere, or do they have to relate?

**Mrs. Kelly Gillis:** The actual example for Corrections Canada of \$250,000, I believe.... I'm just trying to find the right page.

**Mr. Mike Wallace:** It is on the top of page 144, “Transfer from Correctional Service—For the assessment, management and remediation of federal contaminated sites”.

**Mrs. Kelly Gillis:** There were a number of government departments that were funded for the contaminated sites action plan program, and as programs moved during the year, some contamination and remediation advanced more quickly than others, so Corrections was funded for the same purpose, to remediate contaminated sites—

**Mr. Mike Wallace:** Of their own....

**Mrs. Kelly Gillis:** —of their own, as was—

**Mr. Mike Wallace:** And they hadn't spent it, so we got to use it.

**Mrs. Kelly Gillis:** So they were able, through the supplementary estimates process, to transfer it.

For supplementary estimates (C), it should be known that the cut-off is really October, because if you don't make (B), which is early in the year, that's October 1.

**Mr. Mike Wallace:** Right.

**Mrs. Kelly Gillis:** So it's what's known about halfway through the year.

**Mr. Mike Wallace:** It's not your fault, but I'm just saying that from page 76 to page 81, line after line are of transfers between departments. From a political point of view, we're responsible for spending. I'm not sure whether there's a good sense of whether we should be transferring this money or not. Based on my reading—not for this department, to be honest with you, but for other departments—it doesn't look like there's any relationship between why we're transferring from one program to another. I just wanted to make that point.

Can you explain what's meant by “\$1 item” on page 86?

**Mrs. Kelly Gillis:** Certainly. The more technical, longer response is on page 83. When you're transferring between budgets within your voted allotments, it doesn't pick up in the supply bill unless there's a monetary amount. The \$1 amount is a technical way of ensuring that the transfer actually goes into the supply bill. That's the short answer of what's explained on page 83.

**Mr. Mike Wallace:** Yes, I tried to read that and tried to understand it.

It is allocated, but no money is allocated to it at the time. To make it actually move, from an accounting perspective, you have to give it an evaluation of a buck.

**Mrs. Kelly Gillis:** Exactly.

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

Before my time runs out, there's one item here, number C60, on page 140, which says here, under “Operating expenditures”, “To authorize the transfer of \$250,000 from Public Safety and Emergency Preparedness Vote 30” to us. The other transfers all add up: what's said in one column adds to the other column. This one says \$250,000, but in the actual column it shows \$111,000 and some odd change. Is there a reason why that doesn't show \$250,000?

**Mrs. Kelly Gillis:** Yes. If we go to page 144 of the blue book, you have the line-by-line details of the transactions that make up the \$111,000. The summary table on page 140 shows just the net impact of the change of the transfers of that vote. Each of the line-by-line details is outlined on page 144.

**Mr. Mike Wallace:** Right. So it adds up to \$111,000, but what about the \$250,000?

**Mrs. Kelly Gillis:** The \$250,000 is included in there. It's the \$250,000 for the Correctional Services transfer—

• (1030)

**Mr. Mike Wallace:** Yes, I see that.

**Mrs. Kelly Gillis:** —less \$20,000 for the internal reallocation of resources for the Bureau International des Poids et Mesures—

**Mr. Mike Wallace:** Yes.

**Mrs. Kelly Gillis:** —so it's the net of those four items, and you see the internal transfer of \$100,000. All of those add up together to form the \$111,000.

**Mr. Mike Wallace:** Okay. So you net out the removals.

**Mrs. Kelly Gillis:** Yes.

**Mr. Mike Wallace:** All right.

Thank you.

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

Mr. McTeague.

**Hon. Dan McTeague (Pickering—Scarborough East, Lib.):** Thank you, Chair, and thank you, witnesses, for being here. It's good to be back and have you here, particularly you, Mr. Dicerni, and Ms. Gillis.

I go by the maxim that not all wisdom is necessarily new wisdom. During the period of time that this committee often operated on a basis of consensus, one area in which there was no consensus was on the question of telecommunications. A blue ribbon panel back in 2003-04 recommended that we not proceed quickly or deliberately with deregulating the telecom industry to allow new entrants at the time to bulk up, as it were, and present real, veritable competition. You recall the time, Mr. Dicerni, your minister shortcut that decision and decided to, as it were, end the period of time in which new entrants were allowed to operate on the infrastructure of the major incumbents, who in many instances had over a century advantage, including public funding.

I'm wondering, based on that, given that there is now what appears to be a relative and clear dearth of competition within the Canadian telecommunications scene, if that's what gave rise to the decision by your department, the minister's department, to suddenly change, without notice, not only the regulations pertaining to foreign investment but as well the other players who were competing for the spectrum option about a year ago. I'm referring, of course, to other companies who apparently did live by the principles that were enunciated—DAVE, Public Mobile, and others. I'm wondering if the decision now to include foreign investment—notwithstanding the fact that we've excluded the option of the potential for Canadian competition to give consumers what they're looking for—is really, at the base root, that your minister made a mistake in 2007, compounded with confusing and perhaps misleading some of the players who dutifully and in due diligence bought spectrum under conditions that they be Canadian-owned companies and are now prepared to open up foreign investment in a very strategic and very important industry on the basis of helping consumers.

I realize it's an important question, and a long question, but the context is necessary to provide where we are today. Is in fact what the minister has done with respect to Globalive a problem in search of a solution, or vice versa?

**Mr. Richard Dicerni:** There are three points. First, I think it's fair to say that the government has over the years taken a number of steps in support of competition, with a view towards enhancing options that consumers have and having a positive impact on price. This goes back to the forbearance decision. It goes back to the direction to the CRTC. It goes back to Mr. Prentice doing a set-aside for new market entrants in terms of spectrum option. There have been a number of decisions made by a number of ministers that I think have been consistent.

Secondly, you mentioned Globalive. It is important to note that each of those decisions is made on an individual basis within that broad framework. When the minister released his Government of Canada decision on this in December, I think it set out the rationale.

Thirdly, the telecom sector, as you say, is a very important one. We are quite cognizant of that. I would refer to the comments made by the minister earlier that there will be consultations with Canadians on this very important matter before any decisions are made.

**Hon. Dan McTeague:** Thank you, Mr. Dicerni.

You're giving advice to the minister on this extremely important file. My perspective, as someone who has followed combinations and concentration in a number of other sectors where there has been

the promise of a boon to consumers, has in fact been the reverse. I need not mention the oil industry; I won't do that.

What I want to talk to you about, however, is the possibility that, given the lack of competition that currently exists, which gives rise ostensibly to the decision with respect to Globalive, many of these companies could very well find themselves in a combination of Bell merging with Telus, or Rogers merging with Vidéotron, sufficient to be bite-sized for one company to come in and buy them all up. Recognizing the shortcomings of our Competition Act, which I am only too familiar with, as you know, what gives you the assurance and how are you going to assure the minister that we will only see competition in major centres across Canada while the rest of the country be damned?

This is a scenario that I think many of us are concerned about. Have you thought about these things? Are these issues that you've raised with the minister? We certainly have apprehensions about this. It is being sold as a boon to consumers, but in fact it may very well turn out to be the reverse, without new entrants having the ability to get into the market with below-cost strategies and a number of others that are accepted under the Competition Act but are not accepted in other jurisdictions, in the United States and in Europe.

•(1035)

**Mr. Richard Dicerni:** As the minister did mention, this technological economic space is a very complex one. If you look at where it was five years ago and where it will be five years from now, it does require thoughtful analysis to think through what impact it will have in terms of consumers, the impact it will have on companies, the impact it will have on products coming into the marketplace, and so forth.

Obviously we will provide at the right time advice to the minister, and it will be up to him to determine whether he accepts it and then decides to share it with his colleagues. But this is a complex area.

**The Chair:** Thank you, Mr. Dicerni, and thank you, Mr. McTeague.

Mr. Brown.

**Mr. Gordon Brown (Leeds—Grenville, CPC):** Thank you very much, Mr. Chairman, and thank you to our witnesses.

About a year ago at this time, all we really heard about was the situation with the auto industry. Can we get a little bit of an update on how that has been going, the progress that has been made, and maybe hear a little bit about the loans that were made to these companies? I think this was something the government was doing that many Canadians were concerned about. I'll turn it over and you can let us know where we're at.

**Mr. Richard Dicerni:** My colleague Paul, who was the lead person on the auto file, is quite up to date on this.

**Mr. Paul Boothe:** I guess the first thing to say is that the goal that the Prime Minister and the ministers talked about was to prevent a disorderly collapse of the sector. I think it's fair to say that we have weathered the storm in that respect.

This sector is smaller. We think it will probably shake out ultimately at about two-thirds of its pre-crisis size, but we're hoping it will still be strong.

**Mr. Gordon Brown:** How many jobs do you think that is going to mean?

**Mr. Paul Boothe:** Of course, it's impossible to measure precisely, but when we think about it internally, we think about the auto sector as comprising, directly and indirectly, probably upwards of 500,000 jobs in Canada. People usually talk about the auto sector as being concentrated in Ontario, and that's right, but really, when you include dealerships, it goes right across the country, and it's very important for small communities in Alberta, my home, and elsewhere, not just Ontario.

As for the two companies that we contributed to the restructuring of, along with our U.S. and Ontario partners, basically our contribution in the case of Chrysler was up to about \$3.75 billion. Not all of that has been drawn down. They have not drawn down all of that, and they may not, so they've used less support than we actually made available.

In terms of General Motors, in U.S. dollars, our support was about \$9.5 billion. That was all drawn down, but some of it has already begun to be repaid. The company has stated publicly that they're looking to completely repay the loan portion by this summer. Now, there's still investment in equity, of course, but I think it's safe to say that our initial goal, which was to prevent the collapse of the whole sector, has been accomplished, and we are starting to see some repayment of our loans.

We monitor very closely the two companies that the government invested in. We meet with them monthly. I met with Mr. Marchionne, the head of Chrysler, two days ago in Detroit. I think it's fair to say that the dealers.... Earlier this week, I attended a large conference in Detroit with parts manufacturers from both sides of the border. The mood is certainly improving. It got a very big turnout, with over 500 different parts manufacturers attending.

The other thing that's encouraging is that sales in North America are coming back. Canada's sales are pretty strong now, but the U.S. is starting to come back. I visited the Chrysler minivan plant in Windsor, and they are well on their way to implementing the Fiat world-class manufacturing system. I talked not just to the management, but also to workers in the plant, and they're very positive. I think that's pretty encouraging to us.

Just as some indicators, for example, Chrysler minivan now has 85% of the minivan sales in Canada, so it's very strong. They also have some new models coming out. The Jeep Grand Cherokee will be out in the spring, in the first indication of their renewal.

GM has been rolling out new models kind of continuously. As for the models that are constructed in Canada, for example, like the Equinox and Traverse constructed at the CAMI plant, the production in Oshawa, they are among the strongest sellers for GM in North America.

There's still a lot of restructuring to do, but so far, so good. I have to say that I'm pretty encouraged about this. One of the things Mr. Marchionne said in his speech to the parts manufacturers a couple of nights ago was that he was bound to pay the governments back and return himself to a full private sector company.

●(1040)

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

**Mr. Dave Van Kesteren:** Mr. Chair, can we have a clarification?

**The Chair:** Yes, quickly.

**Mr. Dave Van Kesteren:** Mr. Boothe, you said it was \$9.5 billion for General Motors and \$3.75 billion for Chrysler. Was that just from the federal government, or was that a combination?

**Mr. Paul Boothe:** That was a combination of the Canadian government's two thirds and Ontario's one third.

**The Chair:** Thank you very much.

Monsieur Bouchard.

[*Translation*]

**Mr. Robert Bouchard:** Thank you, Mr. Chair.

My question is for Mr. Dicerni. I have looked at the budget allocated to Canada Economic Development for Quebec Regions and the Atlantic Canada Opportunities Agency. I didn't see much difference between the budget figures for the two agencies.

I find that surprising because there is a big population difference between the Atlantic provinces and Quebec. I would have expected to see a much bigger difference between the budgets allocated. On what basis are budgets allocated to an agency like the ones I mentioned?

**Mr. Richard Dicerni:** First, the Department does not have a lot to say about or to do with defining the budget envelopes for these regional development agencies. So I suggest that you raise the subject with the other ministers and deputy ministers, or with the Minister of Finance. Industry Canada is responsible for the Federal Economic Development Initiative in Northern Ontario, or FedNor, and the Federal Economic Development Agency for Southern Ontario, or FedDev Ontario. The rest is not within our authority.

●(1045)

**Mr. Robert Bouchard:** Thank you.

My colleague will ask the next question.

**Mr. Serge Cardin:** Regarding grants and contributions over the fiscal year that is just ending, transfers were made, we can see that, but it is not always easy to get an overall picture of it all. Grants and contributions were probably added, and others eliminated. Overall, was there a decrease in grants and contributions over the last fiscal year?

**Mr. Richard Dicerni:** No.

**Mr. Serge Cardin:** What about the use of the funds?

**Mr. Richard Dicerni:** No, I don't think so. The large amounts of money in the Department's budget are connected with the program that was announced in the budget last year, which relates to knowledge infrastructures. A lot of investments are being made in the cégeps, in Quebec, and in universities. We still have those envelopes. There is still support for the aviation industry.

**Mr. Serge Cardin:** For example, we see the Canadian Textiles Program, or CANTex. We can see that the Main Estimates for the year were \$4,513,000 and there seems to have been nothing. Does that mean that this program has been completely used?

**Mr. Richard Dicerni:** I will note your question about that program and I will answer in writing.

**Mr. Serge Cardin:** In the Main Estimates for 2010-2011, there is nothing. Some people told me there had probably been something that was for substantially the same objectives and that might be in another category for 2010-2011.

Have all programs for the apparel and textile manufacturing industry been abandoned? Is there nothing left?

**Mr. Richard Dicerni:** I will look into it and get back to you on that.

**Mr. Serge Cardin:** Let's talk about funding for the Canadian Foundation for Climate and Atmospheric Sciences. We know this is a very sensitive subject for the Conservative government, which still doesn't believe in climate change. There are significant reductions. Do you think this has been redirected elsewhere? Really, that will have a negative impact on this sector of the economy and research. I know that you can't get involved in politics.

To the Conservative government, its concern being sovereignty in northern Canada, it's good for shipping and exploration. Probably the less climate research done, the better the chance that it will warm up and we can get through the ice to exploit the resources. I would not say it is a big diabolical plan, but still it is surprising that programs like this would be abandoned. Probably people in your department are advising the government on the research grants plan. I know grants are still being given to other sectors.

Was climate a priority for you when you were preparing important suggestions?

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

Briefly, Mr. Dicerni.

**Mr. Richard Dicerni:** If you look at the Department of Industry documents, you can see that we are involved in a number of issues and programs. It keeps us very busy. The particular case you raise comes under the Department of the Environment and is not under our authority. I already have enough work with what I am responsible for and I would not venture to comment on another department.

**The Chair:** Thank you.

We will move on to Mr. Garneau for a final question.

**Mr. Marc Garneau:** Thank you, Mr. Chair.

My first question will be very brief. Last year, the budget cut \$148 million over three years from the three research councils. Has that money been restored?

•(1050)

**Mr. Richard Dicerni:** No.

**Mr. Marc Garneau:** So the announcement of a modest increase this year is not in addition to restoring that \$148 million.

**Mr. Richard Dicerni:** I would add that if you look at all the budgets for the funded councils, you will see that there are several other components that have been added to the councils' programing. I would also stress that for the \$50 million you are referring to, there were no cuts to what is called "fundamental research". It was other activities that were eliminated.

However, there have been additions in various other areas, so the total of the budgets allocated to the funded councils is higher.

**Mr. Marc Garneau:** Thank you.

I have a second question.

[*English*]

I'll ask this one in English. The Canadian Federation of Independent Business assesses the impact of the resumption of EI premium increases beginning next year over four years. They have estimated that as many as 200,000 jobs might be lost by reintroducing these hikes beginning next year. Do you have any interpretation or analysis of their figure of this potential loss of 200,000 jobs when EI premiums begin to increase again next year?

**Mr. Richard Dicerni:** We have taken note of this study.

**Mr. Marc Garneau:** Have you gone beyond taking note of it?

**Mr. Richard Dicerni:** We are pursuing our study of the study.

**Some hon. members:** Oh, oh!

**Mr. Marc Garneau:** Okay, so I take it from your answer there that there has been no analysis done yet within Industry Canada.

My third question—this is going faster than I thought—

**Some hon. members:** Oh, oh!

**Mr. Marc Garneau:** —is on the rural broadband strategy. I believe there was \$225 million allotted last year. I've heard the government talk about \$200 million in the last couple of days, but I think it was \$225 million and I don't want to quibble about that. I understand only about \$20 million has gone out the door so far and that it's been associated with studying and getting ready to allot actual money to build towers and run cable and things like that. When that \$225 million is spent to provide additional rural broadband infrastructure, and when that's deployed, what is your estimate of how much will still be missing in terms of rural broadband across our large country? How much money would it take to do it 100%?

**Mr. Richard Dicerni:** It's always that last quarter of a mile that becomes quite expensive. We are looking at a variety of techniques, obviously including satellites. We're looking at what the provinces are doing. A lot of provinces are moving ahead to complete broadband coverage.

The private sector continues to invest in certain areas. I agree with the member of Parliament, Ms. Ashton, who said that some spaces are never going to be totally *rentables*, from a business perspective.

We've had the privilege of appearing before your committee regularly. The next time we come back we'll have a much better sense of how much the investment that is going to be made this time will cover and how much will be left. At this point today, I can't give you a number, because that depends on the negotiations we're going to have with the potential proponents.

[*Translation*]

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

We now have eight votes on the Supplementary Estimates. Committee members have three options on each vote. You can agree to a vote, reject it or reduce it.

We will now proceed with these eight votes.

[English]

We have eight votes, and we'll begin with vote 5c under ACOA.

ATLANTIC CANADA OPPORTUNITIES AGENCY

Atlantic Canada Opportunities Agency

Vote 5c—The grants listed in the Estimates and contributions.....\$1

(Vote 5c agreed to)

**The Chair:** The second vote is vote 10c under ACOA.

Enterprise Cape Breton Corporation

Vote 10c—Payments to the Enterprise Cape Breton Corporation pursuant to the *Enterprise Cape Breton Corporation Act*.....\$1,465,000

(Vote 10c agreed to)

**The Chair:** We now have the votes under Industry.

INDUSTRY

Department of Industry

Vote 1c—Operating expenditures.....\$1

Vote 5c—Capital expenditures.....\$1

Canadian Space Agency

Vote 35c—The grants listed in the Estimates and contributions.....\$1

National Research Council of Canada

Vote 50c—Operating expenditures.....\$1

Vote 60c—The grants listed in the Estimates and contributions.....\$1

Natural Sciences and Engineering Research Council

Vote 70c—The grants listed in the Estimates.....\$1

(Votes 1c to 70c inclusive agreed to)

**The Chair:** Shall the chair report the supplementary estimates (C) to the House?

**Some hon. members:** Agreed.

**The Chair:** Okay, all the votes have been adopted and the chair will report them back to the House. Thank you very much for coming today.

Just a final note for members of the committee. The clerk has distributed the draft report on the Canada Business Corporations Act. I ask that you take a look at it in advance of Tuesday's committee. Also, please keep in mind that it's a confidential report and it's a breach of privilege to divulge that information ahead of its tabling in the House.

We'll see you next Tuesday. This meeting is adjourned.





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