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Chair

Mr. Brent St. Denis

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Wednesday, February 9, 2005

•(1535)

[Translation]

The Chair (Mr. Brent St. Denis (Algoma—Manitoulin—Kapuskasing, Lib.)): Good afternoon, everyone.

[English]

Good afternoon, everyone. I'd like to call to order this Wednesday, February 9, meeting of the Standing Committee on Industry, Natural Resources, Science and Technology.

Today we are commencing a study of Bill C-9, An Act to establish the Economic Development Agency of Canada for the Regions of Quebec. We have with us today the Honourable Jacques Saada, Minister of the Economic Development Agency of Canada for the Regions of Quebec.

Before we start with you, Mr. Minister, I just want to let colleagues know my appreciation to Werner, first of all, and to all of you for doing a good job on Monday with Dr. Coulombe.

I thank you, Werner.

Also, as we pursue our industrial strategy study, we will have witnesses on Monday, February 14, on the energy sector: Mike Cleland from the Canadian Gas Association; Dane Bailey, Canadian Petroleum Products Institute; Hans Konow, Canadian Electricity Association; and Brian Chambers, Northern Gas Project Secretariat.

On Bill C-9, next Wednesday, February 16, we have a number of witnesses confirmed and only one confirmed for February 21. We're to get a few more names from Paul Crête, so it's possible we could maybe do clause-by-clause on February 21 if we can get all the witnesses in.

Bill C-37 was sent to committee on Monday, so sometime after the break, with everybody's agreement, we will start Bill C-37, which is on the do-not-call list.

With that, Mr. Minister, I know you have someone with you, who I'll let you introduce. We invite you to commence introducing us to Bill C-9 from your perspective.

Excuse me, Minister.

Yes, Werner?

Mr. Werner Schmidt (Kelowna—Lake Country, CPC): Just before you go to the minister, will clause-by-clause on Bill C-9 be on February 21?

The Chair: Yes, if we're able to deal with all the witnesses by then. Assuming there are no big problems, we'll try to get—

[Translation]

Mr. Sébastien Gagnon (Jonquière—Alma, BQ): We have a list of witnesses to suggest. You will receive it after the meeting.

The Chair: It was my hope that if the committee had heard all the witnesses by February 21, we would be able to begin our clause-by-clause study on the same day. Do you agree?

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Yes, but it's quite possible that with this list of witnesses, we will be busy until February 22. I said that at the latest, we could start our clause-by-clause study on the 22nd if we had enough witnesses to keep us going until then. That would mean one day longer than the time table you have given us. Once we have looked at our list of witnesses, we can see whether we will be able to finish on the 21st or whether we will need an extra day. I don't think we should rule out the possibility of an additional meeting.

The Chair: I'll discuss the matter with you.

Mr. Paul Crête: The lead person for this bill is Mr. Gagnon.

The Chair: I see.

[English]

Tony Martin. Welcome to the committee, Tony.

Mr. Tony Martin (Sault Ste. Marie, NDP): Thank you.

I just have a question on behalf of my colleague. When are we expected to have the list of witnesses in for Bill C-9?

The Chair: It should be in no later than today.

Mr. Tony Martin: We're just having a little difficulty getting all the information we require, and we're wondering if it would be possible to get even another day before we get our list in to have it considered.

The Chair: As always, we'll try to do our best to accommodate members as well as to get the job done. It's all subject to discussion anyway, so if you can't give it to us until tomorrow, we'll do our best. So give it to us tomorrow.

How's that?

Mr. Tony Martin: Okay. We appreciate that.

The Chair: With that, Monsieur Saada, thank you. If you will please take the usual five to ten minutes to introduce the subject, we'll go from there.

[Translation]

Hon. Jacques Saada (Minister of the Economic Development Agency of Canada for Quebec Regions): Thank you, Mr. Chairman.

Committee members, before beginning, I would like to draw a small point to your attention. You have received a copy of my text. The version of the speech that I deliver will be the official one but a small mistake is to be found on page 6 of the French version. I would like you to remove the sentence beginning with “93 per cent”.

• (1540)

The Chair: We have only the French copies.

Hon. Jacques Saada: That is why I did not distribute them. I have left this in the hands of your committee. I provided the French text and left it up to the committee to have the translation done and distributed to all those who wish to have it.

The Chair: Please continue.

Hon. Jacques Saada: Mr. Chairman, committee members, thank you for inviting me here today to present Bill C-9, an Act to establish the Economic Development Agency of Canada for the Regions of Quebec. With me is the agency's deputy minister, Michelle d'Auray.

If I may, I would like to dedicate my presentation to all those elected officials, from Chandler, Huntingdon, Saguenay, Rivière-du-Loup and so many other Quebec municipalities, who work directly with local people, striving every day, with determination and humanity, to create or restore hope. They are the ones who are in the best position to understand the reality actually experienced by people. They are the ones who are close to mothers with dependent children or those people who lose their jobs and must come home in the evening to announce it to their families.

I personally attended almost the entire debate on the second reading of Bill C-9. I paid close attention to every aspect of that debate. I would like to thank all the members of Parliament who took part.

I understand that this bill, while it is largely technical in nature, provides a forum for a broader debate on the major issues of regional economic development. In my view, economic development is meaningless unless it is aimed at social progress and supports community initiative. The action of Economic Development Canada must be based on a careful analysis of macroeconomic and microeconomic contexts, but its absolute priority must be improvement of the human condition. This is not a challenge for government alone, but a collective challenge and a responsibility for each and every one of us.

The bill to establish the Economic Development Agency of Canada for the Regions of Quebec, more often known as Canada Economic Development or CED, originated in the desire expressed by the Prime Minister of Canada to recognize through distinct legislation, as in the governance of the country, the importance of the regions of Quebec. This desire was indeed mentioned in the Speech from the Throne.

The agency and its operations have admittedly already been in existence for a good many years, but under the aegis of the Department of Industry Act. Bill C-9 would involve, first of all, according full status within our system of governance to an organization that has proven its effectiveness in the development of the communities, enterprises and economy of the regions of Quebec.

Second, it would mean giving it greater visibility in cabinet to promote the regions of Quebec and their interests.

Third, it would equip it with the tools it needs to harmonize the policies and initiatives of other federal departments and to take measures to provide more direct support for vulnerable communities.

Mr. Chairman, it is also a matter of transparency since Bill C-9 will confer upon the agency the status of a full-fledged department with its own budget, reporting to Parliament directly, rather than through another department, and with the additional obligation of presenting an evaluation report once every five years. C-9 will enable CED to consolidate its leadership and bring together all the other federal departments and organizations and socio-economic stakeholders involved in the development of the regions of Quebec. As a federal institution, only CED can play this role.

C-9 establishes the parameters by which the Government of Canada intends to contribute to the economic development of Quebec. It sets out how our government plans to disseminate best practices in innovation, support key economic sectors in Quebec, promote marketing and export capabilities, build upon regional assets, support those groups and associations essential to social and economic vitality and help communities and industries experiencing economic difficulties in the transition to a new global market.

This is a point that must be emphasized, it cannot be over-emphasized: Quebec is indeed open to the world. We only have to recall its commitment to free trade. This is what gives it its richness and diversity.

• (1545)

Quebec enterprises— small, medium and large—sell their products everywhere—windows to China, jam to the United States, mining extraction processes to South America, medicine to Europe and environmental expertise to Africa. Cultural events in Montreal, Quebec City and Rouyn-Noranda are world-renowned, attracting tourists and investors. Quebec is brilliant and generates confidence; it is one of the key elements of Canada's hope for the future.

However, we are also facing a number of challenges. Although the world offers us opportunities for economic, cultural and demographic wealth, it also forces us to become more productive, inventive and versatile. Some Quebec industries and communities are still at the mercy of the ups and downs of the global economy. We must therefore provide them with support and guidance so that they can adjust or change, in some cases radically.

This is the context in which the agency operates. Our vision of development is comprehensive and integrated, taking economic, social, cultural, and environmental factors into account. Our activities and results are tailored to the situation in the field, whether it be Montreal, urban areas, the central regions, resource regions and outlying regions, or the vulnerable regions.

Through our 14 business offices, the 57 Community Futures Development Corporations and other direct partners, we customize our activities to the specific needs of each region and work in harmony with all the local stakeholders, be they governments, enterprises, groups and even elected officials.

Some MPs have claimed that regional economic development is an exclusively provincial jurisdiction. Mr. Chairman, in my humble opinion, this allegation has no basis in law. The term “regional development” is nowhere to be found in the Constitution of 1982. Section 36.1 is clear as to Canada's responsibility in combatting regional disparity and this is a responsibility that Canada intends to shoulder. It is also obvious that the provinces have very clear responsibilities with regard to a number of components of regional development. We have every respect for these jurisdictions.

While some people will speak of confrontation or abdication of responsibilities, I would strongly propose that we speak instead of complementarity and close cooperation. This is the spirit underlying Bill C-9.

In concrete terms, through Canada Economic Development, our government now supports initiatives as varied as the transfer to small companies of applied research carried out in laboratories and their incubation in National Research Council Centres of Excellence, and the promotion abroad of tourist attractions such as the Montreal Jazz Festival.

We support the retrofitting of garment companies in order to increase productivity. We support businesses in a variety of sectors by helping them network more efficiently so as to obtain contracts from the major clients. And we support the development of marketing networks throughout the regions of Quebec.

We also help communities and sectors in difficulty—textiles and other manufacturing sectors, fisheries, softwood lumber and other resource industries and communities such as Chandler, Murdochville or Huntingdon. Our activities these days are more likely than in the past to be carried out in cooperation or complementarity with government of Quebec initiatives. In some cases, we share responsibility in accordance with our respective strengths, expertise and human and financial resources.

Take tourism for example. We support the regional tourism associations in carrying out market activities abroad, while the government of Quebec provides support in terms of operations and capacity building. All this is done with complete respect for jurisdictions of the government of Quebec and local authorities. This is the way the people of Quebec expect us to behave, in cooperation and not confrontation.

Mr. Chairman, the time at my disposal is shorter than I hoped. I will have an opportunity to come back during the question period to certain other elements that I have not dealt with. Allow me to emphasize two or three matters that I consider important.

First of all, you know that Canada Economic Development very often coordinates or even delivers programs designed by other federal departments and agencies. This coordinating role is essential for Economic Development Canada. Certain colleagues, during the debate in second reading, questioned the legitimacy of this direct support to businesses. This is a jurisdiction that we would see confirmed in Bill C-9.

• (1550)

In its Territorial Review of Canada of 2002, the OECD concludes that

For the Quebec economy to move to a higher growth trajectory, the productivity of small businesses must be improved, management performance upgraded, and efficient technologies acquired.

In addition, the OECD study acknowledges that the agency's IDEA-SME program, which provides direct support for enterprises, has yielded extremely positive results. It is important to rectify an impression that is not necessarily justified: these are refundable contributions to enable enterprises to invest in equipment to increase productivity, intensify their marketing efforts etc.

Mr. Chairman, as a general rule, the sales figures of enterprises receiving funding from CED rise by an average of \$700,000. The number of people they employ also increases significantly. More than three quarters of enterprises could not have carried out their project without the agency's help. Others could not have done so in the same time or on the same scale.

Mr. Chairman, I would like you to take note of this important figure: the agency recovers an average of 75 per cent of refundable contributions.

Let me add one last point. In the same way that the Economic Development Agency of Canada for the Regions of Quebec looks after Quebec, there are other organizations with the same functions in other regions of the country. I am referring to ACOA for the Atlantic, to Western Economic Diversification for the west, and to FedNor. These organizations can also invest in enterprises. Why should Quebec companies be penalized and not be entitled to the same advantages and the same incentives?

Mr. Chairman, I know that time is running short. I could mention the 57 CFDCs that we have, the 14 community economic development corporations, and the nine business development centres. In the course of 2003-2004, 1,944 local and community development activities were carried out, 2,855 enterprises received technical assistance and 1,819 investments were made for a total of \$62.4 million. The list of achievements is long and I am of course quite willing to answer any questions on this subject.

Mr. Chairman, for more than 20 years, the Economic Development Agency of Canada for the Regions of Quebec has been a factor in the development of communities and businesses. It is an effective partner.

Mr. Chairman, I would be remiss if I did not mention that the Economic Development Agency of Canada for the Regions of Quebec is extremely credible and respected throughout Quebec, to a large extent because of the professionalism of its employees. I think it would be unacceptable if I did not take advantage of this opportunity to pay tribute to them, a tribute that is completely deserved as is illustrated day after day.

Mr. Chairman, I would like to conclude with the words of Winston Churchill who said, “Put your confidence in us. Give us your faith and your blessing... Give us the tools and we will finish the job”.

Thank you.

[English]

The Chair: Thank you, Mr. Minister.

We'll begin with questions.

Werner Schmidt, please.

Mr. Werner Schmidt: Thank you very much, Mr. Chair.

Thank you, Mr. Minister, and thank you, Madame d'Auray. You're the deputy minister, is that correct, and president of the CED?

• (1555)

Hon. Jacques Saada: That's correct.

Mr. Werner Schmidt: I have a couple of questions. The legislation we're dealing with here is the tool you referred to, Mr. Minister, when you said, "Give us the tool; we'll do the job". We want to find out what this tool is.

I want to deal with one particular part of this. Clause 7 of Bill C-9 before us reads as follows:

the Minister may acquire, exercise, assign or sell a stock option, share warrant, share or other similar financial instrument obtained as a condition of a loan or contribution

What kinds of stock options would these be? Would these be stock options for voting shares, non-voting shares, preferred shares? What sorts of options would be considered here?

Hon. Jacques Saada: Thank you for your question.

First of all, I would like to mention that this article fits within the responsibilities that were under Industry Canada before we had the separation, so there is no change in this regard.

To answer the question on the shares, they are non-voting shares only.

Mr. Werner Schmidt: The kinds of shares that are available, are these traded on a public stock exchange?

Hon. Jacques Saada: Maybe I could have some help here.

Ms. Michelle d'Auray (Deputy Minister, Economic Development Agency of Canada for the Regions of Quebec): Thank you.

They could be, if that is the only means by which we could support or invest in a company. It is not the preferred means, but it remains an ability by which we could in fact either secure or guarantee a loan, or secure an investment.

Mr. Werner Schmidt: Are these shares of existing companies or are these IPOs? Just what is the nature of the share capital that would exist in the sorts of companies that you would invest in?

Ms. Michelle d'Auray: It could be for a start-up as much as an existing company. The clause refers to:

a guarantee given or loan insurance or credit insurance provided under subsection 11(1) or in the course of the collection or enforcement of a debtor's obligation to the Agency.

So it is a means of securing an investment.

Mr. Werner Schmidt: I quite appreciate that. That's very clear. The point is, are there sectors that are excluded? Are there any restrictions as to the type of industry or business that CED could take stock options in?

Ms. Michelle d'Auray: Only insofar as they would be restricted by arrangement with the Minister of Finance, because the regulations governing those types of investments are also governed under that section 11, and have to be done in arrangement with the Minister of Finance.

So the limitations, if any, would then be under those provisions, but the bill as it is does not prescribe any limitation.

Mr. Werner Schmidt: In other words, the kinds of securities that might be considered or that might be permissible under this bill could include businesses that have had no experience at all in the business they're proposing.

Ms. Michelle d'Auray: That's correct. It could be a start-up. Therefore, if it is a high-risk sector—for example, in biomedical or biopharmaceutical—one of the means by which we could secure the investment would be to have a share or a return on a share. So in those instances we would take it as a percentage of sales. We could go up to a share or an investment directly. But our preferred option, quite frankly, is to go to a percentage of sales.

Mr. Werner Schmidt: To move into a slightly different area, what is the capitalization of CED?

Ms. Michelle d'Auray: The capitalization in the current fiscal year is around \$470 million, but that includes the infrastructure program.

Mr. Werner Schmidt: And that capitalization is in the form of grants that can be given to an industry, or shares that could be purchased, or a trading of securities?

Ms. Michelle d'Auray: It is largely in the form of grants and contributions, with the emphasis put on contributions. Through the contribution arrangements we can in fact take share arrangements, if that is the case. But I do not believe we have any at the moment.

Mr. Werner Schmidt: What would the agency do in case there was a capital gain in terms of the stock that had been in fact pledged or that you owned?

Ms. Michelle d'Auray: We have a percentage that can accrue to us as part of the reimbursable contributions. That in fact is revolved into our existing base. We have an ability to refurbish, if you will, the base of the agency through those investments.

Mr. Werner Schmidt: How would that impact the budget provisions?

Ms. Michelle d'Auray: Currently, just in terms of reimbursements, we average between \$20 million and \$25 million a year. That includes the one that I know of that we took a share...and that we relinquished the shares once we had the reimbursement of our investment. We do not continue past the reimbursement of the original investment. We're not in it to make money on the investment.

If we had invested, for example, \$50,000, and the value of the share would have been up to that, as soon as we are reimbursed, that's when we would sell or relinquish the shares. In another instance, where we take a portion of the sales, depending on the arrangement, we might be able to go a little higher than what was the agreed-upon reimbursement, because that's the nature of the contract, depending on the level of the risk that we had taken.

• (1600)

Mr. Werner Schmidt: You've explained that part very well, and I'm happy you have such a good grasp. I think it's excellent.

The other question I have is, what about share warrants, which are quite different, outside of what you've explained so far? Share warrants are a totally different issue.

Ms. Michelle d'Auray: I would have to get back to you. As far as I know, we have not had any experience in that area. It is a possibility, but we would keep it as a last resort.

Mr. Werner Schmidt: That's a distinct provision in the act, and I'd really appreciate your getting back to us on it.

The Chair: Thank you, Werner. I'll try to keep everybody to five to seven minutes.

Sébastien Gagnon, *s'il vous plaît*. Then we have Denis Coderre and Tony Martin.

[Translation]

Mr. Sébastien Gagnon: Thank you, Mr. Chairman.

Thank you for your presence here today, Minister. It is important and it will allow us to clarify certain aspects of the bill. This is the right time for us to have such an opportunity. I think you should know that we did insist to have this bill referred quickly to committee for examination.

I did have the opportunity to read the information published not only on the bill, but also some of your releases. These publications contain some interesting material, notably the fact that this bill could allow for greater flexibility and autonomy and could also make it possible for you to intervene more efficiently and more rapidly in case of an emergency.

However, in the official documents of the department, and that is where my concern for this bill arises, namely in matters of structure—it is mentioned that no amendment will be made to the agency's *raison d'être*. Nor will any new funding be made available. Furthermore, it is confirmed once again that there will be no changes, except in terms of legal structure. I'd like you to provide us with details on this matter in order to link this bill to the comments you have made.

Hon. Jacques Saada: Thank you for your question. I would also like to thank you for your cooperation, even though we have not always seen eye to eye.

The answer is really very simple. As Canada Economic Development comes under Industry Canada, if, for example, a decision must be made about a designated zone, the process had to be initiated through Industry Canada, which would then pass it on to Canada Economic Development for implementation. Now, the process is more direct. It is much simpler because you are now only dealing with one department rather than with two. This, of course, applies to the regions.

Mr. Sébastien Gagnon: The new mission that this bill will give to the agency is another concern that has been raised in committee. I alluded to it in the House. The previous agency's mandate, or at least its goal, was to increase the economic development potential of Quebec's regions, thus ensuring a greater long-term prosperity through job creation. The regions with the lower employment levels were among those targeted for economic growth.

However, this bill makes no mention of the priority that had been given to the regions, for example, Saguenay—Lac-Saint-Jean, an area which is facing difficulties. Now we have designated zones, which, to my mind, leads to a rather arbitrary situation: if it is felt that action is necessary, then something will be done, but if it does

not appear to be necessary, then there will be no action, whereas in the previous mission, intervention was immediate.

Hon. Jacques Saada: We have no intention of changing what already existed. The vocabulary has been brought into line with bills governing independent parallel bodies such as ACOA and WDO. I would have no objection to an amendment to confirm that.

Mr. Sébastien Gagnon: The information that we have received is, on the whole, somewhat sketchy, and it is difficult to see what type of cooperation might develop between the Government of Canada, through Canada Economic Development, and the Government of Quebec. I would like you to explain your willingness to cooperate with Quebec, and how you intend to go about doing that.

• (1605)

Hon. Jacques Saada: Could I give you a real-life example? I think that is the easiest way to go about it.

Mr. Sébastien Gagnon: Yes, go ahead.

Hon. Jacques Saada: We are all aware of the problems in Gaspé and we know how hard-hit the people of that region have been because of the circumstances surrounding softwood, the fishery, etc. The people of Cap-Chat decided that it might be possible to develop a new niche, namely, producing quartz for the telecommunications industry, and so on. The community took the initiative to ask their respective governments, provincial and federal, to help them with the project. We realized that Quebec could contribute training, since the province invests in that area. We have also helped to contribute to this initiative in our own way. In fact, the plant has been up and running for a few months now.

I would like to thank you for the question, which allows me to express one basic fact. I don't think that solutions for regional development or diversification can originate somewhere in a provincial or federal capital. I believe that regional diversification should be based on projects that are developed at a local level, with support being provided by governments, in which case we are ready, willing and able to lend a hand. This project is a perfect example.

Mr. Sébastien Gagnon: I don't feel that the bill emphasizes that cooperation, which is essential, in my opinion. You're operating in some sectors, and Quebec, in others. You complement each other. But I repeat: would you be willing to make or agree to some amendments that might strengthen that willingness to cooperate with Quebec?

Hon. Jacques Saada: I'm going to be extremely clear on this point. My goal, as a minister and member of the government, is to ensure continued cooperation, not to confine it. I don't want to hinder it with inextricable wording.

For example, if the government of Quebec were to come up with a program today to build a research centre, and if we were to come up with a program to buy the equipment needed for that research centre, tomorrow's reality could well be different from today's. The governments are independent from each other; so the priorities, programs and amounts available may vary. Any agreement is confining.

I think that instead of focusing on agreements, you should look at the accomplishments of the past 5, 10, 15 or 20 years. You might notice that it's not just a matter of political will, it's a way of life for us.

I mentioned previously that the regional development priorities for each region of Quebec were set by CED together with the community and the government of Quebec. Take, for example, the Gaspé Peninsula and its windmills again. The Gaspé decided that this was a growth and diversification area that it was interested in. We do that and it comes naturally. The local CFDCs are constantly working with the community. If you want some reassurance on that, look into the file: it says far more than I ever could.

Mr. Sébastien Gagnon: If I understand correctly, you're concerned about limiting or at least overly restraining that willingness. However, if it could be more general and if you wanted to reassure certain important economic development stakeholders or certain players, I imagine you would be willing to establish or at least strengthen that cooperation.

Hon. Jacques Saada: When we make a joint announcement with the government of Quebec to launch a project, or to support a venture, or to undertake an initiative somewhere, there are written documents to confirm each party's commitments. I'm open to anything that would leave the flexibility intact, which is one of the key features of that cooperation. What I mainly wish to avoid is wording that could diminish that, because basically, it's not about the government of Quebec nor the government of Canada; it's about the interests of people who need both governments to work together to assist them.

• (1610)

The Chair: Thank you, Sébastien.

[English]

Denis Coderre, please, and then Tony Martin.

[Translation]

Hon. Denis Coderre (Bourassa, Lib.): Thank you, Mr. Chairman.

Minister, Deputy Minister, I don't think "complementarity" means "interdependence". I'm glad to see that today, my colleagues are talking about the status, not the constitution. It's about eliminating bureaucracy and finding all of the ways and means needed to meet needs as they come up. When you go from Montreal to Ottawa, you don't go through Mont-Laurier: you choose a much faster route. You may visit later, but that's another matter. I agree with my colleagues from the Bloc Québécois when they say that perhaps we should refer more specifically to low-growth regions in order to show that flexibility. We obviously don't want to tie our hands, but we should indicate that certain region have specific needs. When we say "regional development", we are talking about "regions", and some regions may have more needs than others. We need to find ways of doing things that allow us to see whether there's a problem of understanding. Anyway, that is clearly part of your mission. I understand that you're willing to make that kind of amendment.

Hon. Jacques Saada: Sir, you will quite clearly recall that you yourself and some of your colleagues raised this issue with me a few weeks ago and asked me whether there was a fundamental

difference. My answer was no. And it still is. I'd like to thank the others who also raised that issue. We fully agree on that.

Hon. Denis Coderre: Minister, basically, the status is being changed. You're being given more options to meet whatever needs may arise in whatever region it may be. There is also a need to adapt to new realities. We need to look at how the labour market is working and how, with globalization, the new economic realities have to fit together.

I'd like to talk to you about socio-economics. Obviously, you're not the minister responsible for socio-economics, but you do have development tools that enable you to deal with this kind of reality. I know you're probably going to tell me about the CFDCs, but have you thought of taking a closer look at the community aspect of your mission?

When we talk about regional development, we're not just talking about job creation; we're also talking about the quality of life and of the environment that go along with it. So you also have to look at the socio-economic side of the issue. Have you thought about that?

Hon. Jacques Saada: Thank you very much for the question.

First, as you know, I'm not the minister responsible for socio-economics, but my department will be responsible for delivering this program in Quebec. In terms of the social role, I believe I was quite clear in my presentation that ultimately, that's what motivates me.

I'll give you a concrete example of a research centre's contribution to development. I'll use the Rimouski example, where we did a number of things to develop the Technopole Maritime. Besides the research centre, this means that young people will stay in the region and have a future in the region. And when young people stay in the region, that may be the best guarantee for the region's future.

You know that when it comes to efforts to promote local tourism, more often than not it's about very small businesses, businesses that want to grow, but that don't have the means on their own to seek out the international promotion that will ensure progress and change. The fact that we support coordinating bodies is thus reflected in increased revenue for these small businesses, which are very often family businesses.

CED's social mission can be seen every day. Thank you for further emphasizing the fact that economic development makes no sense if it isn't ultimately geared toward community social development.

Hon. Denis Coderre: If I understand correctly, since you became minister, you've done a lot of visits to the regions. Am I to take it that the regional partners agree with the status change you're proposing in Bill C-9?

• (1615)

Hon. Jacques Saada: Yes, absolutely. There's a lot of support and it comes from all quarters, from business and the community, elected municipal officials, etc. I don't want to go on and on about that, but I could give you more specifics about official support.

Let me come back to your second-last question, on community development. If it's the will of the committee and if it's something that everyone considers important, I would be willing to consider an amendment that would specifically mention community development in CED's mission. I would be very open to that.

The Chair: Thank you.

Mr. Tony Martin, go ahead.

[*English*]

Mr. Tony Martin: I would like to follow up on the question from Mr. Coderre on social economy. I think it's an important one, particularly where Quebec is concerned, if I understand things correctly from some of what I've read and heard from people who are involved.

The bill says, in subparagraph 11(1)(b)(i), that one of the mandates is to support enterprises, especially small and medium-sized enterprises. We in the NDP obviously support small and medium-sized enterprises, but I also think we should offer better support to non-profit enterprises for social economy and to cooperatives. So my question is, why not include support for third-sector businesses explicitly in the bill?

Hon. Jacques Saada: You are raising a very important point and I tend to welcome that. I just want to draw to your attention the fact that there are some things I can do and some things I cannot do in this bill. This bill is the bill for Economic Development Canada. When we talk about the social economy, even though we are going to be dispensing this program for the minister in charge, we cannot mention social economy specifically in this bill because I cannot have a bill under my responsibility that commits someone else's responsibility. But I wouldn't be reluctant at all to include some wording to that effect in the bill.

Mr. Tony Martin: It seems to me, just from the little exposure I've had, that the social economy is playing more and more an important role, particularly in small communities in Quebec. To not be offering them the same support as you're offering to larger businesses and private sector enterprises seems to me to be ignoring a very important sector. Maybe you could expand a little on how you think that interaction might occur.

Hon. Jacques Saada: There is one long answer and one short answer. The short answer is, if you are looking at having the bill also cover companies with the vocation of social economy, I have no problem.

I'm glad that you mentioned this specific point. As you know, we often say that about Quebec because we are very proud of it, but also Quebec has been one of the instigators of social economy in Canada. I'm open to having this notion in the bill. I'm open to having the proper wording in the bill. The only reservation I had was to have a wording that would commit a department other than my own. In other words, if we can find a wording that is going to make sure that within my mandate I can also target these kinds of organizations that are devoted to the social economy, I'm prepared to look at it and have the amendment on it.

Mr. Tony Martin: I know—and the chair will know this too—that in northern Ontario we have FedNor. Even though FedNor takes the lead on many of the economic development initiatives in the north, it also works very cooperatively with all of the other ministries

to sometimes bring them together in partnership with communities and other organizations and deliver all kinds of important support to initiatives across the spectrum.

I guess my third question would be this. In developing this bill, and if my knowledge of Quebec's community, cooperative, and social economy is correct, although limited, and I know that there are some very important organizations in Quebec that give leadership on this front, I'm wondering if you have worked at all in developing this with—you'll have to excuse my pronunciation here, I've been working on my French since I came to this place, but I'm less than there yet—Conseil de la coopération du Québec, Chantier de l'économie sociale, or Table nationale des Corporations de développement communautaire. Have you done any work with those organizations or have you involved them in the development of this bill at all?

• (1620)

Hon. Jacques Saada: Not with the bill, but with the issue of the social economy altogether, the whole initiative, with my colleague Ken Dryden. Actually, we have already taken the initiative, under the auspices of the deputy minister, Mrs. d'Auray, to meet with all organizations involved in any way with social economy to try to design a pattern that is going to suit them in terms of how they can take part in the process of tendering, how they can have access to our program. The program is being designed directly with them. I suppose Mrs. d'Auray could complete this with a more detailed statement.

Social economy is not a fad, it's a must. It's not a program, it's a movement. Therefore, this movement has no meaning unless it is designed and developed with the people who are going to implement it, who are involved in it. Therefore, the initiatives we have taken are to the effect of making sure, as much as possible, that the program delivery will be quite in tune with their needs and in all regions of Quebec.

Maybe Mrs. d'Auray would like to develop that.

Ms. Michelle d'Auray: Thank you, Minister.

I don't have much to add except that we are working quite directly with the organizations you mentioned and quite a few others in the design of our social economy enterprise program. It really focuses on social economy enterprises as well as the development of the capacity of social economy organizations to develop their own networks and their own capacities to help communities and social economy enterprises.

That program and those activities are in the process. They should be ready in late April or early May to be launched. It's being developed directly with those organizations.

Mr. Tony Martin: I don't really have another question. I want just to say that this is really important not only for Quebec but for the rest of Canada, because we have a lot to learn from what's happened in Quebec in places such as northern Ontario, where the economy is still struggling to get its feet under it after going through a very difficult period.

These are the kinds of things I think would be helpful, and if Quebec were to set the benchmarks for us, we could all benefit and learn. I'm hoping you will find ways to be inclusive.

Hon. Jacques Saada: Let me add two or three things, Mr. Chair.

First, I have met with a number of those organizations. They have told me they are extremely satisfied with the way we are proceeding in cooperating with them in designing the delivery of the program.

I must also say that upon the invitation of the parliamentary secretary in charge of the social economy, Eleni Bakopanos, member from Ahuntsic, I attended a forum she organized here in Ottawa with people involved in the sector from across the country. We had a long exchange as to how we view this and how we can make our views joint, if you wish, in order to have the best program possible and the best design possible.

Finally, I must say that there is another avenue being interestingly explored by Nancy Neamtan, who is the head of the Chantier, which is to ask, since we have such a great model on social economy, whether it is possible to export that model. She was interested especially in the Francophonie. I have talked to her about it. We are trying to work around a number of potential perspectives such as that of the Francophonie, which has as one of its major mandates the fight against poverty. We are also looking at what could be done within the scope, if not of the next G-8, of the one after.

The Chair: Thank you.

We'll go to Michael Chong, then Françoise, then Paul.

• (1625)

[Translation]

Mr. Michael Chong (Wellington—Halton Hills, CPC): Thank you.

Thank you, Mr. Saada and Ms. D'Auray. My first question is for the deputy minister.

How long have you been deputy minister?

Ms. Michelle d'Auray: I have been Deputy Minister at Canada Economic Development since May 2004.

Mr. Michael Chong: My second question is for the minister.

[English]

Hon. Jacques Saada: Which means, by the way, that you have two enthusiastic leaders for this ministry.

[Translation]

Mr. Michael Chong: My research indicates that between April 1 and May 20, 2004, the agency made 42 funding announcements, whereas between April 1 and May 20, 2003, it only made 5. Could you explain these contradictions and could you also tell us why the agency was used for political purposes?

Hon. Jacques Saada: Is that question for the deputy minister or for me?

Mr. Michael Chong: It's for the minister.

Hon. Jacques Saada: Good; I prefer that.

Announcements are made when projects are ready. As I said earlier in response to another question, they are often made in cooperation with the provincial government and the community. So they are made when we are in a position to do so.

With all due respect, I have a very hard time accepting your question's insinuation. Canada Economic Development has a mission that goes largely beyond immediate political concerns. When we support or announce a project, it's an initiative that is taken by the community first; we are merely there to support it. But here, it's as if the community were being accused of playing into a political game, and that bothers me to no end.

[English]

Mr. Michael Chong: It does seem to me to be a little odd that from the previous year in 2003 there were only five announcements, and then suddenly a year later we have 42 announcements. Maybe I could put the question to the deputy minister. Maybe you could tell us the reason for this discrepancy and why this occurred.

Hon. Jacques Saada: Excuse me. I will let the deputy minister add something to that, but I want to mention something to you.

You were most probably very serious in the research you have done and therefore you are providing figures that are very difficult to confirm or assess, or for which it's difficult to know what they refer to. I would have really appreciated it if you had given me this statistic you wanted to ask questions about. I would have been glad to look at what the files are specifically, what the projects are specifically, where they have been located, who initiated them, what kind of process it took, and then I would have been able to give an honest intellectual answer to this question. But asking a question on facts that have never been given to me before makes it is very difficult for the deputy minister and for me.

Mr. Michael Chong: That's fine. I just asked the question, and if you don't know the answer, that's fine. Maybe you could provide it to us at another time.

Now I'll direct my question to the deputy minister. Maybe she would know the reason for this discrepancy.

Ms. Michelle d'Auray: With all due respect, I do not consider this a discrepancy. There are some patterns in announcements that are made. I can tell you that in some years there have been opportunities to complete contracts before the end of the fiscal year, which means you will have a plethora of projects that are ready to be announced. In other instances, sometimes the proponents have not been ready. We have in fact seen some months where we have made many more announcements because the Quebec government was ready—because, as the minister indicated, they are tied. And there is, in fact, an up-and-down pattern.

I can check into the specific figures you're mentioning, but I would also do so in the context of the pattern over a given year or a given set of years.

Mr. Michael Chong: But this agency's budget hasn't wildly fluctuated year to year. You get an amount to disperse throughout the year, a very small portion of that goes to operating costs—my understanding is roughly \$30 million or so—and the balance goes to funding regional development in Quebec. So I would anticipate that after year-end, March 31, there would be announcements, sure, but I wouldn't anticipate that they would vary so widely from year to year. We have a fixed year-end and the budget hasn't varied widely over the last number of years, so I find it odd that last year, for the months after the year-end, we had a significantly higher number of announcements than in the previous year.

• (1630)

Ms. Michelle d'Auray: If I may, there are some patterns where, for example, some programs are very specific. We've had some of what I would consider job creation programs that have been applied to affected areas where those programs and those jobs have to be created as of April 1.

I'll give you an example in terms of fishing seasons. When the quotas are set and there are moratoria, then there is an effect that takes place whereby the jobs have to be announced and started in April. When we looked at the moratorium in 2003, the amounts in the disbursements in that particular year, for example, didn't start until late May or early June, because the program was announced at the very last minute. In the case of 2004, we were into the second year of the program; therefore, they were ready to be out the door as of April 1 or soon thereafter.

While the base of the agency per se does not fluctuate, we do get some very specific, very targeted programs to deliver—for example, in the fishing communities, softwood lumber, textiles. Those are very set, they are time limited, and they will increase or decrease the agency's budget year in and year out.

Mr. Michael Chong: And for this particular program you're talking about, in 2003 you weren't ready to make the announcements until May or so, but in 2004 you were ready to make them shortly after.

Ms. Michelle d'Auray: I'm sorry, sir. I'm giving you an example of what could have happened, but I also endeavoured to get back to you in terms of the specifics, if I may.

Mr. Michael Chong: Yes, but you were referencing a specific program there that had started in 2003. How big was that program in terms of dollars, roughly?

Ms. Michelle d'Auray: It was about \$6 million a year.

Mr. Michael Chong: Those are my questions. Thank you.

The Chair: Thank you, Michael.

Françoise.

[Translation]

Ms. Françoise Boivin (Gatineau, Lib.): Good afternoon. I'm pleased to be here.

In my opinion, Bill C-9 is extremely important to the regions. I am the member for a region that has been trying desperately, for many long years, to change its image from that of a place where only public servants live, with all due respect for public servants. My own father had a long career in that field, as a matter of fact. We are trying to diversify our economy. I know that the people from CED are an absolutely invaluable resource. Speaking on behalf of my region, I would say that in the Outaouais, it is truly a very important key to economic development. They are partners. That is what I hear out in the community.

Obviously, as a recently elected member, I haven't had much opportunity to work with those people, but when I began consulting people in my region about Bill C-9, I was told that it was essential for that to continue. What I need, Minister, is probably for you to clarify some points. From what I understand, the bill would

essentially be a continuation of something that is already working quite well.

I'd like you to tell me about the agency's links with other departments. I'm not sure I understood everything you said about that.

Hon. Jacques Saada: Imagine, for example, a Transport Canada program to dispose of airports. Upgrades are needed to make the airport usable for the corporation acquiring it. We feel that the airport is an important regional development tool. So Transport Canada contributes one part and we contribute another.

In terms of promotion abroad, we of course have International Trade. We work together to boost Canadian companies abroad, specifically for them to attract people from other countries. We could also talk about Canadian Heritage. As you know, tourism is one of the sectors of economic diversification. Museums may very well contribute to drawing tourists to a given region. But they don't come under Canada Economic Development. Accordingly, we take part in certain initiatives, but Canadian Heritage, as far as museums are concerned, takes the lead.

There are lots of examples like that. Mr. Martin asked me a question a few minutes ago about socio-economics. That's another example. We deliver the programs and cooperate with social development so that lessons are at least learned from region to region and a kind of osmosis occurs. It's truly in everyday life that Canada Economic Development puts the power of the entire Government of Canada at the service of the regions of Quebec.

• (1635)

Ms. Françoise Boivin: I appreciate the fact that you are open to a possible amendment on the change in the agency's mandate. Personally, however, I must say that I didn't see things that way. I'd like you to give us some details on that. I understand that you are prepared to amend the bill to state that special attention is to be given to regions of Quebec where economic growth is slow and there aren't enough jobs. However, I didn't feel that the lack of that statement was an obstacle.

Hon. Jacques Saada: It was certainly not our intention for that to be an obstacle. Nor do I wish to be dogmatic about the terms we use systematically. If there's a vocabulary that might give some reassurance that that was not our intention, I would be quite willing to consider a possible amendment.

As far as I'm concerned, the wording is sufficiently clear, but if an amendment is needed to make it even clearer, I have no objection to that.

If you don't mind, I'd like to come back to the question you asked a few seconds ago. There are examples of cooperation with other departments that are perhaps even more striking. We know that some Industry Canada investment programs go through, for example, the National Research Council. In just a few months, Industry Canada, Canada Economic Development and indirectly—if I recall correctly—the NRC, together supported the Saguenay Aluminum Technology Centre. There was a similar example in Rimouski.

I have only been minister for a few months, and in briefing sessions with the department, I was given a list of departments we collaborate with. I asked whether it wouldn't be simpler to give me the list of departments we don't collaborate with. Because we do a lot of collaborative work. The question you asked is important in terms of governance. You alluded to a fundamental principle that we must increasingly move toward: horizontality. We call it integration, but it is in fact horizontality. What does it mean? Simply that we can no longer consider government activities or governance in silos, in compartments. They have to be seen much more horizontally. That way, the activity of each department, focused on a common goal, may ultimately carry greater weight. That is where your question was coming from. And that is in fact our vision.

[English]

Ms. Françoise Boivin: Do I still have a little bit of time? Yes?

[Translation]

I'd like to ask Ms. D'Auray a question that always interests me, given my labour relations experience. How are the proposed changes perceived at CED?

Ms. Michelle d'Auray: People are quite happy about not having to depend on another department. For instance, when the minister or the agency wants to invest a little more than \$10 million in a company or a project, then the minister's approval must be obtained in the form of an executive order. This does leave quite a bit of autonomy. As the minister just said, it also confirms a coordinating role with the other departments in the field, and this is always welcome.

Given that there is no change in the legislation governing and protecting the status of employees, nothing has changed with regard to employee status and in the regulations we follow. At this level, there is no change, apart from the fact that we will have a greater coordinating role, we will have leadership in the regions and we will be accountable to Parliament.

Hon. Jacques Saada: This has been welcomed everywhere in general. Let us note that Canada Economic Development's main advantage is its flexibility. It is a very user-friendly instrument. Of course, I do not mean only the agencies that are indirectly connected to CED, as are, for instance, the CFDCs. The Federation of Canadian Municipalities formally endorsed the project. Many mayors personally endorsed the project, as did businessmen and community workers who have a good understanding of social economics and its development.

Endorsement of the project is not based on political reasons. People in the field are very practical. They have a very pragmatic approach. Being pragmatic, they know that with less red tape, issues can be targeted more precisely and they can intervene more quickly and effectively. This has nothing to do with politics. What counts is speed, quality and effectiveness.

•(1640)

The Chair: Thank you, Mr. Minister.

Mr. Paul Crête, you have the floor.

Mr. Paul Crête: Thank you, Mr. Chairman.

My first question is a practical one, in the context of what was just said. Formerly, you belonged to Industry Canada, and programs such as Technology Partnerships Canada and the broadband service program were run by the Department of Industry. That may still be the case, but in the legislation, there is no more reference to the Department of Industry.

What kind of relations will there be in the future for managing these programs? Will Technology Partnerships Canada, for instance, become a client and approach Industry Canada to try to get contracts? How will this work? We did have some assurance of continuity. Now, as things have changed, what should we expect?

Hon. Jacques Saada: Technology Partnerships Canada reports to Industry Canada .

Mr. Paul Crête: But the program is managed by the CFDCs, by the regional offices of Canada Economic Development in every region. They are direct extensions of it. That is how it works in our region. In Rimouski, people get in touch and then form relations. I would like to know how this will work.

Hon. Jacques Saada: Your question is important, Mr. Crête, because the idea is in fact to strengthen the horizontal cooperation among federal departments and the coordinating role of CED.

In the case of any federal program, whether it comes under Industry Canada, Heritage Canada or Transport Canada, which has a direct impact on regional development, the function of Canada Economic Development is to bring all these resources together to target support to the regions. The NRC does not come under CED, but rather Industry Canada. If, all of a sudden an investment was to be made in a research centre somewhere, in which the NRC could invest, our role would be to convince the NRC to do so. That would change nothing in practice: the services of the two organizations would still be available.

Mr. Paul Crête: But there was a historic link. You came under the Department of Industry, whereas the NRC [*Editor's Note: Inaudible*]

Hon. Jacques Saada: We do not come under either the Department of Transport or Canadian Heritage, but we did the same thing with those departments.

What we need to do here is establish our ultimate objective. That is why we are stressing the importance of coordination. In a case where 10 departments would have an impact on regional development at some time or other, why could we not coordinate our efforts to take more effective action, rather than leaving each department to work things out on its own?

Our relationship with Industry Canada will be exactly the same as the one we have with Transport Canada or Canadian Heritage.

Mr. Paul Crête: Would it not have been a good idea to assign the funds for Quebec on a regional basis, taking into account Industry Canada's contribution to these programs in the past, and thus ensure this funding for Quebec?

I fear this will create artificial competition. I remember we had the Department of Regional Economic Expansion a long time ago: when it provided funding, there was an order from the Quebec government and from Ottawa, because the projects were inter-governmental. After that, everything came under Industry Canada, and the Federal Office of Regional Development-Quebec was established. It was similar to the cardiovascular system: under Industry Canada, the blood no longer reached Quebec, but rather—for some strange reason—circulated in Ontario. The FORD-Q was established, which got the blood circulating in Quebec again. It became Canada Economic Development, which is now supposed to become independent.

I am not opposed to the idea, but I would not want us to go backwards: Industry Canada's lobbying and organization suit Ontario very well. Is there not a danger that we will encounter the same problem?

•(1645)

Hon. Jacques Saada: You are asking me a question about intentions.

Mr. Paul Crête: It is a question about the danger of history repeating itself.

Hon. Jacques Saada: It is a question of intentions, because such things do not happen by chance: Someone decides to do this. I do not want to comment on the past, because we could spend a lot of time talking about that.

What I can tell you is this: There would be a fundamental contradiction if we strengthened the regional development of Quebec in cabinet while fearing that it will be weaker. There would be a fundamental contradiction if we were to confirm the coordinating role of Canada Economic Development if we shared your concerns.

I think we have to judge on the basis of what is done, not on promises or intentions. In concrete terms, I would refer you to paragraph 11(1)(a) of the bill—which would be binding on everyone, including other federal departments and the Government of Canada—which states very clearly:

11.(1) In carrying out its object, the Agency may:

(a) in cooperation with other concerned ministers and boards and agencies of the Government of Canada, formulate and implement policies, plans and integrated federal approaches;

Integrated federal approaches does not refer to a federal strategy that is divorced from all the others: It is integrated. The example you gave earlier, which I do not wish to discuss, seems to me to be light-years away from our whole focus in terms of regional development. In fact, you noted that yourself.

Earlier I spoke about the airports. I also talked about aluminum technology centres such as Technopole maritime du Québec in Rimouski. We have many examples illustrating how much cooperation is going on already, both with the department we used to come under and with other departments. I am not familiar with the details of the quarrels that took place 25 or 30 years ago. However, I can tell you that this is not the intention of my government nor that of the Prime Minister, who, on July 20, 2004, chose to appoint a minister responsible for regional development in Quebec.

It is not the intention of this bill nor is it my intention whatsoever to abdicate the responsibilities the bill would give me. They are to seek more effective coordination so as to better target all federal government initiatives regarding the regional development of Quebec.

Mr. Paul Crête: About 10 years ago, some 50 regional development projects were carried out jointly by Quebec City and Ottawa, and there was some coordination. This percentage has dropped in the last 10 years, and is now about 33%.

The truth is that there is the network of local development centres in Quebec and at the same time there is the network of CFTCs. Locally, each of the two networks does everything it can in order to deal with the two central departments. There is significant overlap between these two networks. There has been a decline in joint projects in the last 10 years—from 50% to 33%.

Would you make a commitment to include a reference to respect for Quebec's priorities in the bill, in some way or other, so that we can achieve a more reasonable percentage?

The Chair: Thank you.

Hon. Jacques Saada: Do you agree, Mr. Crête, that Technology Partnerships Canada makes 40% of its investments in Quebec?

Mr. Paul Crête: That is correct, because its business community is very dynamic.

Hon. Jacques Saada: So we agree on that.

Mr. Paul Crête: Premier Tech in Rivière-du-Loup is one example.

Hon. Jacques Saada: That means that we do have dynamic companies that need our support. We are hardly going to restrict them because of decisions made by governments.

Mr. Paul Crête: I agree. I said that we should respect the envelopes that existed in the past.

[English]

The Chair: We can come back to you, Paul. There will be more time at the end.

[Translation]

Hon. Jacques Saada: You spoke about agreements. Unless I am mistaken, on July 20, 1994, there was an agreement by the name of ERDA, the Economic and Regional Development Agreement, which was supposed to have been renewed. All loose ends had been tied up. We were about to make the announcement. But the Quebec government began backpedaling, mainly because Claude Ryan had said at the time that if Quebec entered into agreements, it needed the funds to implement them and was not certain that there would be enough funds to do that.

You know as well as I do that provincial budgets fluctuate just as federal budgets do. One day there is plenty of money, and the next we're running on empty. So I think an agreement could take us back to the situation that occurred in 1994, when everything collapsed.

You spoke about duplication. You spoke about LDCs and CFDCs. We will make things as clear as possible in the most respectful way possible. CFDCs have been around for about 40 years. They were established for regional development and play a role that is known to all of us in all of these regions. Then along comes a government representing a party I will not name. This government decides to create a parallel structure called the LDCs, because regional development works. The LDCs do the same job as the CFDCs. They came along 10 years later, and now people have the nerve to tell us there's duplication. What caused the duplication?

The LDCs work very well. I am very pleased with the cooperation that exists at the moment between the LDCs and the CFDCs. That is not the issue. But if you are going to talk about duplication...

The LDCs were established after the CFDCs. Not only did they come along afterwards, but in addition, any federal presence was officially precluded in the legislation that established the LDCs. It was first and foremost a political initiative, and then people talk to us about duplication. There is a fundamental contradiction here, Mr. Chairman.

•(1650)

Mr. Paul Crête: It is astonishing that the Charest government decided to maintain this network after the election and that there is some thought—

[English]

The Chair: Excuse me, but we're going to continue. There will be time at the end.

[Translation]

Mr. Paul Crête: No, this will be a political debate. I agree with you.

[English]

The Chair: Pablo, then Brad, and then we're open to more questions.

[Translation]

Mr. Pablo Rodriguez (Honoré-Mercier, Lib.): Thank you, Mr. Chairman, Minister and Ms. d'Auray. I've had an opportunity to make five or six announcements for CED since I was elected.

I am particularly interested in this bill because when I made these announcements and when I spoke to stakeholders in the community, I saw for myself the well-defined, specific and clear role played by CED in the regions. I also saw the calibre of the people working for CED. I saw how well they know the issues and the extent to which they were grounded in the needs of the people in the community.

The purpose of the bill is to give CED independent status. It is quite simple. This is a more technical aspect. I would like to make a few comments.

There's been a great deal of talk about regions, and it is true that the role of CED in the regions is fundamental. However, we should not forget Montreal, particularly some of its industries. I'm thinking in particular of east Montreal, and the industrial park in my area. Do you have a different strategy to take action in urban communities, such as east Montreal?

Hon. Jacques Saada: When we talk about the 14 regions of Quebec, we do not exclude Montreal. Montreal is a full-fledged region with its own concerns, needs and potential.

Let me give you a very simple example. In east Montreal, in Anjou, there is one of the largest industrial parks in Quebec. I think it ranks second in the province, after Saint-Laurent. This industrial park is made up of many SMEs, whose progress will depend on their ability to export. We intervened very directly with the Chamber of Commerce of the eastern part of the Isle of Montreal, I believe, to support economic initiatives involving the export of locally manufactured products.

That is just one example. It is not the only one. Of course we have strategies. We must not forget that Montreal alone is responsible for over 50% of the GDP of Quebec. I think that disregarding Montreal or not giving it the proper emphasis would be a major error in terms of the economic future of Quebec as a whole, and therefore of Canada.

Nevertheless, the support given to the regions of Quebec, and particularly those in difficulty, such as the Saguenay or the Gaspé, should not be seen as a zero-sum game. It would be inaccurate to think that the more we do on one side, the less we do on the other. These are two ambitions that must be pursued jointly.

We know the attraction of Montreal for international organizations, and we support organizations such as Montreal International, in order to attract high-level groups to the city. I see my colleague, Denis Coderre, here. He is the person who was behind an extremely important organization's decision to come to Montreal not so long ago. What is the name of it?

•(1655)

Hon. Denis Coderre: It is the World Anti-Doping Agency.

Hon. Jacques Saada: Yes, it is the World Anti-Doping Agency.

Are you asking me whether we are doing enough for Montreal? I think we have to do a great deal more.

Mr. Pablo Rodriguez: I would like to ask a question about a more specific point. I read in section 12 of the bill...

What a lot of unruly behaviour in this committee! Mr. Chairman, please.

The Chair: Pablo has the floor.

Mr. Pablo Rodriguez: Thank you, particularly since I do not come very often.

[English]

The Chair: No, it's Pablo's time.

Mr. Pablo Rodriguez: Thank you very much, Mr. Chair.

[Translation]

Subclause 12(2) reads as follows: "The Agency may also perform any other functions assigned to it by order of the Governor in Council". Have you already made a decision about the other functions that might be assigned to the agency?

Hon. Jacques Saada: I am sorry, I am lost. Which subclause is it?

Mr. Pablo Rodriguez: It is subclause 12(2). It is at the bottom of page 5, under the heading "Other functions", or "Fonctions".

Hon. Jacques Saada: That is subclause 11(2).

Mr. Pablo Rodriguez: Yes, I apologize. It is subclause 11(2).

Ms. Françoise Boivin: This is a test.

Hon. Denis Coderre: We have a minister who has read his bill.

Ms. Françoise Boivin: Exactly. Bravo, Pablo.

Hon. Jacques Saada: Excuse me. I am with you now.

Mr. Pablo Rodriguez: The subclause states: “The Agency may also perform any other functions assigned to it by order of the Governor in Council.” Have you already thought about some of the other functions that could be assigned to the agency, or is this a standard provision?

Hon. Jacques Saada: There could be a very unique set of circumstances which would require a very specific, targeted intervention limited in time. So this is one way of giving the government some latitude in the delivery of this specific program.

Your question gives me an opportunity to provide more details on this. But a distinction should be made between special interventions by the agency and those that are more permanent and broader. We have not talked a great deal here about economic diversification. I would like to take this opportunity to say a little about that.

One of my most important concerns as the minister responsible for this file is that too many cities, towns, villages or regions depend on a single industry or resource whose well-being is outside Canadian control. In other words, these regions depend on a resource or a commodity whose value is impacted directly by the outside world.

Clearly, I do not accept this vulnerability. In an effort to offset it, we are trying to anticipate things. In other words, even if the economy of a region is still strong, we want to start investing heavily in economic diversification so that in the end, these small and large towns and regions will no longer depend on a single resource but rather will have a very diversified economic support structure.

I would emphasize that for each region, economic diversification is based on three, four or five major components, which vary from one region to another and are established in cooperation with the community.

I went much further than the subclause you mentioned, but I thought this was a good opportunity to do so.

Mr. Pablo Rodriguez: I have one last question on this subject.

I believe that your involvement consists primarily of repayable contributions. Is that right? Do you know what percentage these repayable contributions constitute?

Hon. Jacques Saada: I am told that repayable contributions make up 36%. They are primarily intended for businesses, while non-refundable contributions are intended for the community sector.

Mr. Pablo Rodriguez: How does the rate of reimbursement for repayable contributions compare to that of the private sector?

Hon. Jacques Saada: As I already said, a few moments ago, the rate stands at around 70 per cent. In other words, in 70 per cent of cases, repayable contributions are repaid on schedule, a rate which is certainly nothing to be ashamed of when compared, for example, to that of financial institutions. Their rate sits at around 75 or 76 per cent.

Bear in mind that this result is all the more impressive because SMEs, and in particular businesses which are just starting up, face great difficulty in obtaining funding from the banks which consider them to constitute too great a risk. We are therefore investing in the highest-risk group. Furthermore, that is part of our *raison d'être*. In spite of that, our reimbursement rate is 70 per cent. Our return is excellent on this front.

• (1700)

Mr. Pablo Rodriguez: Thank you, Mr. Chairman.

The Chair: Thank you, Pablo.

We are going to move along to Brad, then Sébastien, and then Denis.

[English]

Mr. Bradley Trost (Saskatoon—Humboldt, CPC): I basically just have one fairly brief question.

Looking through the legislation, it uses the term “designated community” or “designated area”. I really couldn't get my mind totally around how those terms are being applied. I'm curious as to what the definitions are and how they're going to be applied. There's always a degree of judgment, but being a geophysicist by trade, I'd like to have some pretty specific numbers on things.

Hon. Jacques Saada: Did you say I was a physicist?

Mr. Bradley Trost: A geophysicist. I am.

I was curious how you're going to go about defining “designated community” or “designated area”. Will there be unemployment rates per capita GDP relative to the rest of the province? You talked about the 14 regions. Some areas, of course, have more advantages than others. How specifically are you going to define these things?

Just as an observation, if it goes by a case-by-case basis, in the end it'll end up being subjective and unfair to some regions and not to others. I'd like your views on how you're going to either define or decide what is a designated area or a designated community.

Hon. Jacques Saada: It's a very fair question. Let me give you an example of something that already happened, so that we know what it means. When we had the moratorium on fishing, we had some regions in Quebec affected by that. We're taking here about the Gaspé and Îles-de-la-Madeleine, this territory. A specific program was designed for that area. The area was designated, and it therefore had access to a specific program to help the people who were suffering from this situation.

The designated area is a way to better target when there is a need, to better target on a very specific basis the region, the area, and the people who are going to benefit from the special intervention of government for specific purposes. It is not a matter of haves and have-nots. It is more to allow us to intervene in the case of a crisis by having this designation specifically, with the funding coming to this region or to this designated area.

Mr. Bradley Trost: In general, then, in the future maybe your department will draw up a specific list of criteria to guide. Being what this is, there are always the normal political pressures to do things at certain times. Perhaps I'm just suggesting that a specific list of criteria be drawn up to very much pinpoint things, so that this is maybe more transparent for the general public, for people applying, and is in some ways less arbitrary inside your department. It's just a suggestion and a comment.

Hon. Jacques Saada: I'm quite open to having something to that effect. I would suggest, though, that instead of having it in the law, we should have it in the regulations that would come with the law. The regulations have the same strength but are not as constraining as putting this into the law. I understand, for instance, that ACOA already has something of the nature of this kind of criterion, but I also understand that ACOA has never used it. ACOA never had a situation that required designating an area. But I'm open to that, definitely.

The intent here is not to favour someone, it is to concentrate and focus special help in case of special circumstances affecting a special population. That's really what the essence of the matter is.

• (1705)

Mr. Bradley Trost: Here's another very broad, general follow-up. Accountability is very important to develop and understand what has worked and what hasn't. What criteria will you apply to decide how effective a program has been?

I also have an economics degree, so I understand it's sometimes harder to quantify than people realize—the job growth, etc., for a program. But will there be some sort of reporting mechanism to say what was economically accomplished by this so parliamentarians and bureaucrats can go back and review and objectively debate what has or has not worked? I think that would be fairly useful.

I know this is done already to a certain degree. But back to my comments about objective versus subjective, the more clearly delineated the targets and objectives, I think the easier they are to accomplish.

That's sort of a question and sort of a comment.

Hon. Jacques Saada: If the question you're asking is are we going to have the possibility, as parliamentarians, to assess and debate and make recommendations as to how it should be changed if it doesn't work, and have all the information pertinent to this question, then the answer is yes, without any reservations. Actually, by having this Bill C-9, the obligation to report every five years will give parliamentarians the chance to actually do this exercise.

I believe we are all in the same boat in terms of trying to address specific regional development issues together. It's not the business of the bureaucrats, of the people in the field, or of government; it's the business of all of us. And therefore any suggestions on how to improve what we are doing is going to be welcome, but to do that you need to have the tools. Reporting every five years will provide the tools.

The Chair: Thank you, Brad.

We have three more questions and just about the right amount of time. I'm going to have Sébastien, Denis, and then Werner.

Sébastien.

[*Translation*]

Mr. Sébastien Gagnon: How much time do I have, Mr. Chairman?

The Chair: Four minutes, five at the most.

Mr. Sébastien Gagnon: Mr. Minister, I too am interested in your opinion, and also your intentions. Allow me to explain the situation. I do not wish to offend my colleagues from large urban centres, but the situation to which I am referring is fairly unique. Some of you are already aware of it. Factories have been closed in Saguenay—Lac-St-Jean. Today I heard that another business in my riding, Jonquière, is to close.

These closures are veritable catastrophes. In some instances, large businesses are closing down and there are 500 or 600 employees who are losing their jobs. There is no sign of it letting up. However, a great deal of solidarity exists at the regional level. Perhaps you have heard of the *Sommet sur les régions*. These days, regardless of political affiliation or the jurisdiction involved—municipal, provincial or federal—there is a desire to work together. For example, it was agreed by all stakeholders that the CRE would be the appointed body. A great deal of consensus was achieved.

I was delighted to note that, not in the bill, but in your remarks, you spoke of giving the agency more flexibility and autonomy. That brings me to a point on which there is consensus. Even employers as large as Alcan, a large multinational, are in agreement. There is a desire to have a regional fund which would allow regions to have the flexibility that they want. We do not want the Quebec government or the Government of Canada to intervene. We want to have a lever. Across the region, amongst all politicians, this is a point of consensus.

Will this bill allow you to contribute directly to setting up such a fund? I would remind you, Mr. Minister, that Quebec already contributes to a fund for regional development.

Hon. Jacques Saada: You raised three extremely important points. I would like to tackle each one individually.

As regards the closure of large businesses, it is, of course, difficult to prevent business decisions from being made, even when they have direct consequences for employees, their families, etc. In an effort to attenuate these repercussions, we are working extremely hard on economic diversification. In my opinion, the more a region depends on a given large company, the more vulnerable it is. When something like this happens, there are no more jobs.

With your permission, I would like to draw to your attention two or three examples of what has already been done on this front in the Saguenay. Initiatives were set up which gave good results, and which are still proving successful today.

•(1710)

Mr. Sébastien Gagnon: Mr. Minister, I understand and appreciate the officials, and we work extremely well together. I can only congratulate them on their work. However, at the moment, I would like to have an exact answer as to whether the government intends to create a regional plan, as the regions are requesting.

Hon. Jacques Saada: That was your third question, Mr. Gagnon. I will answer all three questions, unless you want me to skip the first two. In an attempt to answer the first part of your question, I wanted to provide you with examples pertaining to the closure of large companies.

We have contributed to diversifying the region's economy, not because the government decided to set up new businesses, but because the region itself decided to submit start-up projects and we gave them our support. This led, for example, to the opening of the first bio-pharmaceutical company in the Saguenay; previously the Saguenay region was not at all active in this field.

I do not want to go into detail, but I will say that businesses have been set up in the Saguenay in the agri-food sector. They were set up not because the federal government wanted to, not because the provincial government wanted to, not because of a regional fund, but, rather, because the businesses themselves decided to make a proposal. We gave them our support, and it worked.

That brings me to your second question on the desire to work in partnership. Frankly, we share this desire. It is not a matter of whether we want to work together, but of how we are going to do so.

That brings me to your third question, the establishment of a regional fund. I have numerous reservations, not to mention a significant objection, concerning the establishment of regional funds. By definition, regional funds do not target community projects which require support. Give me an example of a credible project in the Saguenay which was proposed to us but which we refused to support.

It is not enough to appear to be solving the problem. A fund will not solve the problem. The problem will be solved when local businesses and entrepreneurs decide to launch projects which require funding. When that happens, we will be there to support them. Believing that the problem can be solved by setting up a fund, and that nothing further is required, is, in my view, the wrong approach completely. I am not questioning the credibility of those who want to establish such a fund, but I am not convinced that the proposed process would be effective.

Mr. Sébastien Gagnon: I appreciate what you are saying, Mr. Minister.

The Chair: Be brief.

Mr. Sébastien Gagnon: The region wants to help itself. Who else would want that more? The directors of Alcan themselves say that there is a lack of meaningful investments in the region, managed by the region, to support initiatives, even if they do not meet the eligibility criteria. There have been cases where the CLD has funded a business, yet Canada Economic Development has not been involved. We want to move away from eligibility criteria in order that Canadians and their elected representatives assume full control of these projects, and in order that there are more tangible initiatives.

Could the government be party to such a fund, within, for example, certain parameters and criteria, in the way that the Quebec government is, and as requested by all the elected representatives and inhabitants of Saguenay—Lac-Saint-Jean?

Hon. Jacques Saada: You keep coming back to the question of the LDCs funding projects which the federal government does not. If it were so important to work together, why were the LDCs established? We already had the CFDCs. The LDCs were set up—and I would reiterate that they are effective, and that there is good cooperation between the two—yet you are talking to me about a duplication of efforts, of creating a new fund where only one was required. Why then did you set up a second fund? We were not the ones who established it.

As regards investment, our department does not have a mandate to make huge investments in large projects. Our mandate is to support local initiatives by means of concrete projects submitted to us. We have something to contribute on that front. If Quebec has set up a regional fund with people from the community, then that is great. I hope that it generates projects, and that those projects will be submitted to us; we will get involved.

That being said, I want to keep in mind the responsibilities which we have. I want to remain accountable to the Canadian taxpayer, and in particular the Quebec taxpayer, in terms of how the funds are spent and managed. I want the Auditor General of Canada to be able to examine my department's books and be completely satisfied that we are investing our money responsibly. A regional fund would prevent me from doing that.

[English]

The Chair: I have Denis, Werner, and then if there are 30 seconds at the end, Sébastien.

Denis.

[Translation]

Hon. Denis Paradis (Brome—Missisquoi): Thank you, Mr. Chairman.

Thank you very much, Mr. Minister.

I am going to follow in Pablo's footsteps and speak about repayable contributions. Last year, shortly before the budget was tabled, I travelled around the regions of Quebec. In most regions, we were told that there was a need for more venture capital. We heard the same request from regions all across Quebec. People told us that they needed more venture capital.

My question is somewhat technical. On a balance sheet, the repayable contribution appears as a liability, opposite the venture capital, which is the capital invested in the business. As a result, when the bank examines the balance sheet before approving a loan, the venture capital appears as capital funds as opposed to a liability, which is how the repayable contributions appear.

All the SMEs in the region, all the small tourism and agri-food businesses need help. Tourism, agri-food and SMEs are three sectors in our region directly concerned by this. They need venture capital, access to real capital. Currently, banks tell them that they are not sufficiently capitalized, that they cannot lend them any more, etc.

I know that, amongst others, the BDC has slightly widened its definition of venture capital and loans for investment in SMEs, but, from what I have seen in the regions, it is not enough to meet the demand.

Would it be possible for your department to consider repayable contributions as venture capital? It would only be for the balance sheet. It would mean that the bank could no longer say that they constitute further liability.

I have a second question. Often, government money has to be spread thinly, because there is not enough to meet everyone's needs. An idea was put to me during my travels last year. Why do we not develop a system such as the Quebec business investment company, which the government of Quebec set up? In the Quebec model, the government did not invest money, but, instead, provided tax credits. This meant that a Montreal doctor who wanted to invest \$10,000 in an orchard in Brome-Missisquoi would get a tax credit. We could look at the figures, etc. The SPEQs worked a bit like that. Such a system would allow for significantly more venture capital to flow into those SMEs which need it, be they in agri-food, tourism or another sector.

I therefore have two questions. My first one concerns repayable contributions which are considered as a liability, unlike venture capital. The second concerns tax incentives for capitalization.

• (1715)

The Chair: Thank you, Denis.

Hon. Jacques Saada: I will first answer your question on venture capital. I should start by pointing out that both Canada Economic Development and the CFDCs which it developed, already invest in venture capital. That is something which is already being done.

Regarding Canada Economic Development's investments and repayable contributions, keep one thing in mind: often, the businesses that approach us do not have access to capital from banks. That is what I was driving at in the answer that I gave a few minutes ago. We invest, in particular, when there are higher risks. Furthermore, given that we invest without interest—in other words, we provide loans but do not charge interest—we are, essentially, investing in venture capital.

Are alternative models possible? Are there interesting things to be done on this front? I cannot provide you with an answer straightaway, but I would be happy to listen to your proposals and evaluate them in an appropriate manner. I just want to make sure that we are understanding one another. We are involved in venture capital. Canada Economic Development provides venture capital both directly and by means of the CFDCs. I would like to remind you that we do a good job. Indeed, although we are providing venture capital to businesses which are not yet fully developed, we still achieve a reimbursement rate of more than 70 per cent, and I would repeat that that is without interest.

Hon. Denis Paradis: What about tax measures, for example, tax credits? Would it be possible to put an engineer, doctor or lawyer from Montreal who wishes to make an investment in contact with, for example, an apple producer from Brome-Missisquoi who needs capital? Would it be possible to come up with a tax regime to encourage such investment? It would mean money from the city being invested in the countryside.

• (1720)

Hon. Jacques Saada: As you know, the Canada Revenue Agency already has a tax credit program for research and development. The program is already up and running.

Hon. Denis Paradis: For research and development, yes, but I am talking about venture capital.

Hon. Jacques Saada: Yes, but when we talk about development, the next logical step is to talk about transition. I think that we should perhaps look at specific cases to determine whether there is indeed a gap between the two stages.

Was your question about the capital investment that we, or somebody, should make during the transition, between the time when development comes to an end and the business is launched? If there are other ways to do things, or if there are ways to improve this situation, I would be happy to examine them. But you must understand that you are not asking questions on taxation of the right person.

[English]

The Chair: Thank you very much.

Werner, please.

Mr. Werner Schmidt: Thank you very much, Mr. Chairman.

Mr. Minister, there are a couple of things about the bill that I'd like to have clarified, if I might. The first part of the bill gives certain powers to the minister, and then it also gives powers to the agency. I'm going to refer only to two powers that the minister has. One is to establish designated areas, and the other one is designed communities. These are exceptional circumstances that provide opportunities for improvements in employment—very specifically in terms of employment.

So I ask the minister if he could perhaps explain clause 10, then, which gives the object, powers, and duties of the agency itself, which are very, very broad and very general. Which of these takes precedence? Is the minister's power outside of the powers given to the agency under clause 10; and if there is a conflict between what the minister thinks and what the agency thinks, which way does it go?

Hon. Jacques Saada: Thank you for the question.

As odd as my answer is going to sound, the minister has always the ultimate responsibility for decisions taken within his responsibility. But there is no contradiction here between—

Mr. Werner Schmidt: No, I didn't say there was a contradiction. Which takes precedence?

Hon. Jacques Saada: The minister is always supreme in matters of decisions concerning his ministry.

Mr. Werner Schmidt: Then that begs the question, who is the agency?

Hon. Jacques Saada: The agency is a department. Actually, it's a very simple structure. The minister is in charge of a ministry. This ministry happens to be called an agency. In its name, it's designated as an agency, but it's a ministry.

In my ministry, I have a deputy minister, and we have a set of civil servants. This is sometimes called a ministry, and sometimes called an agency. In our case, it's called an agency.

Mr. Werner Schmidt: Who makes the decisions?

Hon. Jacques Saada: I do.

Mr. Werner Schmidt: So that clarifies that very clearly. So if you want to take advice from your staff under clause 10, you can always override those decisions, both under clause 10 and under clause 6.

Hon. Jacques Saada: Can you just give me one second to read the text and make sure we have a precise sense? I thank you for the question, because it means there is some explaining to do here.

The basic principle is that the minister is in charge. It's his responsibility, his decision, his accountability. Okay? That deals with clause 10.

Clause 6 is not at all a change to that. It is simply a focus that the minister can decide to give on the basis of a criterion. Your colleague just mentioned this criterion, and I'm open to having a better definition. The minister can decide that, for a specific purpose, under specific circumstances, a given area needs special help. That's all. It's still the minister's decision. No matter how you slice it, anything happening under this bill is ultimately under the responsibility of the minister.

Mr. Werner Schmidt: If I read that correctly and the way you've defined this, the minister can do anything he really wants to do with this agency.

Hon. Jacques Saada: The minister has responsibility over the agency. In other words—

• (1725)

Mr. Werner Schmidt: His powers are virtually unlimited.

Hon. Jacques Saada: No. First of all, I sit in cabinet, and I can tell you that my powers are not unlimited at all. Secondly, of course, we have examples where we have limitations imposed by the need for agreement from finance, for instance, on some of the issues.

The statement I made specifically pertains to the ultimate responsibility of a minister—"responsibility" meaning accountability as well—as to the decision he makes on behalf of his ministry. What I've said—and I'm prepared to say it in other words if need be—the decision to designate areas under this bill is the responsibility of the minister, who, according to your colleague, and very rightfully so, has to abide by certain criteria before being able to allow such a designation to take place.

Mr. Werner Schmidt: I understand, Mr. Chairman.

Thank you.

The Chair: Thank you.

[*Translation*]

Sébastien, you have one minute.

Mr. Sébastien Gagnon: Thank you.

Mr. Minister, I would like to come back to the question which I raised earlier. You spoke about accountability and auditing, which are indeed very important.

In spite of my tender years, I had the opportunity to set up and direct the Fonds Jeunesse Québec in Quebec City. We were very daring, politically speaking, with the Fonds Jeunesse Québec, a \$240 million fund. We decentralized part of the fund so that we could be more in touch with regional reality. I would be happy to discuss with you the benefits that the fund offered all of Quebec's regions. It was a matter of political will.

Once again, I would ask you whether, given that you have been speaking of flexibility and more autonomy, you would be prepared to study a formula which would allow you to participate in the establishment of a regional fund.

Hon. Jacques Saada: It is not my intention to denigrate the decision which the region made, in partnership with the Quebec government, to establish a regional fund. Indeed, I would stress that we all want to work collaboratively. The discussion is about processes, how we can work together. In my view, the best way to help a region is to support concrete projects which will be carried out in the region in question.

If the fund which was established generates projects, and if these projects are submitted to Canada Economic Development, our role will consist in supporting these projects. But, they have to be concrete projects.

I would imagine that those who are requesting the establishment of this fund have a certain perception of local needs, and I am not disputing their view; quite the opposite, I have full respect for them. However, my perception of the needs differs slightly from theirs. Why? Since becoming minister, I have travelled around Quebec on more than one occasion. Wherever I went, and it was not only the Saguenay, I spoke with people and I realized that they were looking for support to carry out specific projects. I did not make that up here, in Ottawa.

I do not wish to become sentimental, but when somebody dreams of carrying out a project, regardless of whether there is a regional fund or not, what he or she wants is to obtain financial support so that the dream can become reality. We are there to offer that support. We have been there in the past, we are there at the moment, and we'll be there in the future; but not through a fund which would result in us losing sight of how, exactly, our contribution is used. We will not be involved if it means abdicating our responsibility. We are happy to help the regions and we will do so, on the condition that we ourselves directly help specific projects.

The Chair: Thank you very much everybody.

[*English*]

Thank you very much, Monsieur Saada and Madame d'Auray.

There were good questions again today, colleagues. We will continue with Bill C-9 over the next couple of sessions.

With that, we are adjourned.

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