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Mr. Brent St. Denis

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Wednesday, February 16, 2005

• (1535)

[English]

The Chair (Mr. Brent St. Denis (Algoma—Manitoulin—Kapuskasing, Lib.)): I'd like to call to order this Wednesday, February 16, 2005, meeting of the Standing Committee on Industry, Natural Resources, Science and Technology.

We are here today to continue our study of Bill C-9 with respect to the Economic Development Agency of Canada for the regions of Quebec. We have with us witnesses who've come in from different parts of the country, I think Quebec in each case; yes, they are all from Quebec.

I understand, Monsieur Giguère, you have a flight and you have to leave by 5 o'clock.

Mr. Raymond Giguère (Director General, Cégep de Rimouski, As Individual): I'm sorry, but I'll have to leave at 1700 to catch a flight.

The Chair: You can speak in either of the languages. Don't touch the microphones. The operator here will manage the microphones.

So we welcome you. We're going to start with Monsieur Giguère. I ask that you speak for five, maybe seven, minutes maximum each, if you can, please. That will give members a chance to ask questions, and if you fail to make a point in your presentation, you'll have a chance in your answers to questions to bring it up at that time.

Monsieur Giguère, please start us off.

[Translation]

Mr. Raymond Giguère: Thank you and good afternoon, Mr. Chair.

I am appearing before you today as Principal of the Cégep de Rimouski, but I am also, more specifically, appearing as an individual, having been involved in economic development in my region for over 30 years.

I have a three-part presentation. First, I would like to tell you about two examples of contributions that Canada Economic Development made in our region. Then I will attempt to describe what factors made these contributions a success. I will finish my presentation by explaining my vision of the prerequisites for economic development and diversification of our outlying regions in particular.

So let me begin with my two examples. The first example is the Strategic Regional Initiative (SRI) which gave rise to Technopole maritime du Québec. Technopole maritime du Québec was developed in several steps. First, the various regional economic development

stakeholders determined that the maritime sector was an important development business opportunity. As this Strategic Regional Initiative was developed, staff members from the regional office undertook a review with key stakeholders in order to identify opportunities: opportunities that were spin-offs from past successes. A five-year strategy was adopted and a budget was tabled.

After five years, three research and technology transfer centres were opened. They were decked out with cutting edge equipment. The knowledge institutions' networking objectives were met. The institutions were able to network with those that use the knowledge, in other words, the industry. A business incubator will soon be opened and there are many other spin-offs.

We are now getting ready for phase 2. Our mandatory objectives include the development of new private businesses that will connect with already established facilities and the enhancement of the industry's domestic and international position. This will be achieved through the development of a Canada-wide cluster for the maritime sector, and also through the development of international business opportunities. This is the first example that I wanted to mention and which is due to a contribution on the part of Canada Economic Development.

I would now like to talk about a second contribution. I wanted to use a second example, because the two examples are drawn from completely different contexts. A service for research and expertise in the processing of forestry products for eastern Quebec has been set up. This service is supported by Canada Economic Development and comes as a result of a particular situation. This situation was born out of a crisis management incident rather than out of long-term planning.

So how did this play out? Well, first of all, it has always been recognized that eastern Quebec was a resource region for forestry products. However, logging methods, as we are all well aware, partially stripped the region of this resource. Furthermore, the whole matter of countervailing duties led to a crisis involving a loss of jobs caused by the United States. As a result, the Lower St. Lawrence was forced to change tack and attempted to develop an industry of secondary and tertiary processing of forestry products. This change of direction obviously forced the region to develop a new expertise in this area. The focal point of this expertise is a research centre called SEREX. Its development was hampered mainly by the fact that the particular region is very far away from any major urban centres, and, as a consequence, by difficulties recruiting and retaining top-level scientists. In fact, its development would have been well nigh impossible without both the contribution of Canada Economic Development and the collaboration of all stakeholders.

Thanks to these experiences we were able to determine the factors that led to their success. I would like to go over those quickly now. In the case of Technopole maritime du Québec, the key to success was the capacity to plan for a period of at least five years based on community-identified opportunities that were born of strengths the community had developed over the years. This long-term planning was guaranteed by available, stable credit.

• (1540)

For SEREX, the key to success was the capacity to react quickly and to have the money available to support initiatives stemming from a crisis management situation or community initiatives. In both cases, there was one indispensable key to success. That is the ability to foster understanding among all stakeholders at all government levels, whether it be local, municipal, regional, provincial or federal. This includes federal inter-departmental aspects, as several federal departments were involved. It is important to be able to reflect, plan and develop regionally with a focus on domestic and global positioning.

Turning towards the future: Over the years, Canada Economic Development has been a key player in the economic development diversification of Canada's and Quebec's outlying regions. Canada Economic Development's capacity to technically and financially support community-based projects focused on domestic and global positioning contributed to this success. The fact that there are regional offices has meant that Canada Economic Development has been close enough to other partners to ensure an integrated approach.

In order for Canada Economic Development to continue to play this essential role, it will be necessary to maintain and develop this capacity to be guided by long term planning in conjunction with the regional community, a planning based on opportunities that have sprung from prior success. This is the first priority.

Secondly, it would be necessary to maintain and improve the capacity to provide short term solutions to support regional initiatives born of particular economic circumstances or new opportunities.

Thirdly, it would be necessary to maintain the capacity to foster a collaborative approach with stakeholders from other orders of government.

Fourthly it would be necessary to maintain the capacity to foster a collaborative approach with stakeholders from other federal departments.

Lastly, we must continue to successfully ensure that regional initiatives break through to the Canadian and global markets.

In my opinion, Bill C-9 as it stands should allow us to dispense with one middle man, thereby allowing the relevant minister to intervene directly at the cabinet level. I believe that this new structure should enable us to directly draw the attention of all Canadian ministers to the concerns of Quebec regions, thereby guaranteeing stable funding that takes into account the reality in these regions. At the end of the day, we must build on what we have already achieved, achievements which are the very backbone of Canada Economic Development and its contributions in the regions today. Canada Economic Development must become increasingly

flexible in its contributions all the while, with a focus on working closely with the community in question.

I would like to thank you for your attention.

The Chair: Thank you, Mr. Giguère.

I am glad that your presentation was not more than seven minutes long.

Mr. Goudreau, the floor is yours.

Mr. Yves Goudreau (Director, Business Development, Premier Tech Ltée): Good afternoon, Mr. Chairman and members of the committee. I wish to thank you for the invitation giving me the opportunity to submit my comments on Bill C-9, an Act establishing Economic Development Agency of Canada for the regions of Quebec. This invitation shows the interest of the Canadian Parliament for Quebec economic development.

As spokesman and developer, I have noticed the active role played by Canada Economic Development (CED) regarding the numerous programs in relation to the development and diversification of the regions of Quebec, particularly eastern Quebec. These projects have made several changes, either in the social, tourist, cultural or economic fields. But, being an industrialist, I will mainly focus on the economic part of Bill C-9, even though I'm well aware that cultural tourism also offers significant economic benefits. As an industrialist, I will focus my comments on this aspect.

As a Québécois and a businessman, I can only rejoice that a development agency is becoming a full-fledged government department, and will have a minister sitting in cabinet. Bill C-9 will give the CED minister the entire responsibility to of directly protecting Quebec's strategic development files in cabinet in Ottawa. This additional access for the economic development of Quebec can only delight all the different fields of society, including the Quebec government.

During the past year, I was able to note, as President of the Quebec Government Economic Program ACCORD and as a businessman, the full importance of CED in the development and the diversification of the Quebec economic regions.

Regional development relies on all private and public partners. This cannot be the sole prerogative of a monopoly, either private or public. Consequently, the Canadian government has an important role to play in economic action, together with the private sector, non-profit organizations or different government levels. Whoever aspires to the concentration of power and single-agent action regarding economic development renders a judgment jeopardizing the future of our regions.

The banking system is an important factor in regional economic development. Nevertheless, it must balance the protection and the development of shareholders' assets. Therefore, it is normal that bankers are especially interested in safe and secure investments, based on known values such as natural resources. But regional development must also look to value-added products.

In order to develop these value-added products, companies like Premier Tech need to invest in research, development and innovation (RD & I). There are inherent risks in innovation. There is sometimes a lack of convergence between the banks' objectives and the product innovation process. The banks are ready to take on a part of the risk, but the entrepreneur must necessarily finance a large share.

In order not to drastically reduce their operating capital and development capacity, the regional companies must develop products and innovate, but they must also process them in their plants. The Regional companies must count on the risk being shared between bankers, the company and society, represented by governmental organizations such as CED. Thanks to the complementarity of the public and private contributors, Premier Tech has become a well-known leader throughout the world. In the beginning, we created our business from natural resources, without the support of CED. The CED support is essential to guarantee the long-term vision of the company.

The loans granted by CED for the development of innovative technologies have allowed Premier Tech to create one of the most important private regional research and development centres. Also, the CED loans have allowed it to create more than 400 direct jobs, and more than 200 innovative products since 1997, therefore increasing sales from 50 million to \$300 million. Eighty per cent of these products are exported. We estimate the direct and indirect salary consequences for R&D programs having obtained a CED loan, at more than \$33 million annually.

● (1545)

From this amount, \$12.5 million—and I did say \$12.5 million—will annually find its way into government revenues. We agree that within the framework of CED, you have lent us approximately \$14 million. You can see that the return on investment is enormous.

Without these amounts, we would have, without any doubt, directed our product development to the partial improvement of products. In the middle term, this delay would have caused the withdrawal of our products from the market, because of the constant optimization of the products of international competitors, who are continuously working on the development of new, innovative concepts.

The international role of the Canadian government represents a major asset in the showcasing and marketing of new Quebec technologies for the entire world. This international expertise, together with the economic development mandate, makes CED an ideal partner for companies, since the development of our regions is a matter of complementarity and organization.

During the past years, CED has proven its will to work with the entrepreneurs and also with the municipal and provincial governments, treating them with the utmost respect. CED has developed significant regional development expertise. The entire Quebec province can be proud of having such an experienced and devoted team taking care of the well-being and collective development of the regions. Consequently, I can only say that I fully support Bill C-9, which gives full responsibility to the agency and makes it entirely accountable for its actions to the Canadian population.

Thank you.

● (1550)

The Chair: Thank you, Mr. Goudreau. That is very good work.

We will now hear from Mr. Clément Demers.

Mr. Clément Demers (Director General, Quartier International de Montréal): Good afternoon.

Quartier international de Montréal is a non-profit organization, a private-public partnership focused on the realization of a project that is now complete and that is called the Quartier international de Montréal. It is in this part of Montreal, between Old Montreal and the business district, that one finds the greatest concentration of international organizations in Canada.

This project is unique because of its partnership, as three levels of government are involved: the Government of Canada, through the Canada Economic Development Agency, the Government of Quebec and the City of Montreal. Other participants include the Caisse de dépôt et placement du Québec as well as neighbouring property owners, that is to say all of the property owners in the area, who came together under another non-profit organization called l'Association des riverains du Quartier international de Montréal.

This is a project that has had very significant benefits in five specific areas. First of all, there was a direct impact on sustainable development, which is particularly important today as we have just heard the announcement of the implementation of the Kyoto Protocol. In the Quartier international de Montréal, there are three metro stations. We have noted that since the completion of the project, the rate of increase in the use of these stations was four and a half times the rate of increase in other downtown stations. We are therefore referring to an increase of 9.62 per cent in the use of public transport.

In terms of real estate development, \$760 million was invested in real estate projects in addition to the investments of the Quartier international de Montréal. We project that over the next five to six years, there will be 600 to \$800 million in further real estate investments, including some 1,000 residential units as well as several hotels and office space. This is already underway.

As regards international development, this is a very important project as it has brought a great deal of foreign currency into Montreal. There has been an increase in the number of international organizations, such as the World Anti-doping Agency and the International Design Alliance. There has been an increase in the number of international conventions in the Quartier international de Montréal, an increase in the number of tourists in the sector, an increase in the number of pan-Canadian, American and foreign real estate investors such as the Aquilini group, Goldman Sachs, Time Equities of New York, El-Ad of Israël, and scores of other foreign investors.

As far as exporting knowledge is concerned, the project is a showcase of Quebec and Canadian know-how, which has been recognized through a multitude of national and international prizes, that is 16 prizes and one honourable mention. As for tourism development, the results achieved show that there are more and more tourists in the sector, as it is located where the business district and old Montreal meet.

I now have a few pictures to show you. The first shows the public-private partnership, with the three levels of government in the centre, the Caisse de dépôt et placement du Québec on the left, and all the people who live in the sector on the right. There is also a whole series of private partners who invested in the Quartier international. I'm referring to the \$8 million dollars coming from private partners, from major sponsors, as well as the \$8 million dollars coming from the property owners in the area.

On the following slide, the coloured-in area represents the sector concerned, between Old Montreal and the business district.

On the following page, you see the affected area, which goes from Place Bonaventure to the Palais des congrès, including the Palais des congrès. This is a 27-hectare zone. It is the largest urban development project ever carried out in the downtown of a Canadian city, as we are talking about approximately 6 kilometres of sidewalks and many public spaces. Of the 27 hectares that were developed, there are 8 that are public spaces that have been returned to the City of Montreal.

We can see what the zone looked like before the area was developed. It was an open highway surrounded by a series of parking lots. In this area, one finds the International Civil Aviation Organization as well as the Palais des congrès, which is the third largest convention centre in North America for international events. We were welcoming people from around the world in this area before the project was even finished. It was almost embarrassing to be receiving people in such a no-man's land.

Today, you can see a whole series of developments that have taken place, from the underground infrastructure to the surface developments.

- (1555)

You can see Victoria Square, which was completely redeveloped. We can also see Place Jean-Paul Riopelle, named after one of Canada's greatest artists, as well as his famous sculpture *La Joute* with its ring of fire, as the artist wanted it.

Let us see who invested in this project. The Government of Quebec invested \$30 million, the Government of Canada through Canada Economic Development invested \$30 million, the City of Montréal \$14 million, the neighbouring property owners \$8 million, and private investors another \$8 million. In total, \$90 million was invested in development, which generated \$860 million in economic benefits.

As regards Canada Economic Development, the \$30 million invested has already resulted in \$42 million in taxation and incidental taxation, and will bring in \$6.6 million a year for the life span of the project, that is to say for at least a century.

On the last page is a list of the well deserved national and international prizes, in twelve different areas including design, architecture, engineering and management. We would not have been able to realize this project without the assistance of Canada Economic Development. Its sizable investment allowed us to achieve this partnership. We were very impressed with the thoroughness and professionalism of their team and we feel it is critical that this agency be granted more power and that it continue to be involved in urban development projects that generate significant

economic benefits for the municipalities in all of Quebec's major cities. Thank you.

The Chair: Thank you, Mr. Demers. That was excellent.

I now give the floor to Ms. Barrette.

Ms. Marie Barrette (Director General, Suroît-Sud, Community Futures Development Corporation): Good afternoon, Mr. Chairman and members of the committee.

First of all, I would like to briefly remind you of the origins of the Suroît-Sud Committee Futures Development Corporation, which I manage.

The Suroît-Sud CFDC is a non-profit organization created on February 23, 2001. Our CFDC covers the territory of the regional county municipalities of Beauharnois-Salaberry and Le Haut-Saint-Laurent. Our board of directors is made up people from the area.

The CFDC's mission is to encourage communities to take charge of their future through local development.

In 2001, the Suroît-Sud CFDC signed a five-year partnership agreement with Canada Economic Development. In fact, Canada Economic Development can, through its Community Futures Program (CFP), support local economic development by supporting community enhancement and diversification through the strategic planning of business services by the community, and by providing access to funding. In this way, our contract with CED provides funding for our operations and an investment fund totalling \$1.55 million.

One year later, that is in 2002, we signed another contract with CED, under the Youth Strategy Initiative CED-CFDC. This agreement made it possible to offer young people between the ages of 18 and 35 access to capital with very favourable repayment terms. In fact, the loans had a two-year no-interest provision. This new contract came with an operating budget and a Youth Investment Fund of \$300,000.

Our agreement with Canada Economic Development stipulates what the areas of activity of the CFDC should be. We may engage in activities involving the investment fund and activities to promote local economic development. My presentation today will deal with the latter.

Our local economic development initiatives must focus primarily on supporting and facilitating community activities through our partnership with other organizations to develop and coordinate local economic development strategies that make it possible to implement realistic action plans.

Thus, in 2003, the Suroît-Sud CFDC turned to Canada Economic Development to establish a specific positioning for our region.

A committee was established in October 2003. At that time, the committee was made up of representatives of the local development centre and regional county municipality of the Haut-Saint-Laurent, the LDC and RCM of Beauharnois-Salaberry, Emploi-Québec, the Suroît Export Club, the Suroît Tourism Office and, of course, Canada Economic Development. A consulting firm was hired to conduct a study to identify the development issues, directions and opportunities for the regional county municipalities of Beauharnois-Salaberry and Le Haut Saint-Laurent.

In order to carry out this study, our consultants reviewed existing documentation but mainly used the findings of an extensive consultation of several business heads and political and economic leaders in the area.

The study, presented to the committee in October 2004, contained recommendations regarding the development thrusts to focus on and the strategies to be adopted by organizations in the region in order to promote their operations. The study also proposed a number of projects and concrete initiatives that offered attractive investment opportunities for local and foreign investments and convincing opportunities to stimulate the economy.

The development thrusts identified were the strengthening of the manufacturing sector, the development of agri-food potential, the development of the recreation/tourism and cultural sectors, the development of the transportation and logistics industries and the enhancement of regional conditions.

A number of the suggestions have already been implemented by subcommittees bringing together several major stakeholders. For each of the thrusts identified, we are trying to identify the organizations that may be interested. For example, Agriculture and Agri-Food Canada, and the Quebec department of agriculture, fisheries and food (MAPD) have joined the agri-food committee.

The study was released to the public on February 9 and 10, 2005, at which time we also announced the Suroît-Sud Economic Recovery Committee. Our group has grown since the beginning of this process. The original members have been joined by representatives of Human Resources and Skills Development Canada, the Quebec department for economic and regional development and research (MDERR), the Collège de Valleyfield, the Vallée des Tisserands school board and the New Frontiers school board.

• (1600)

We must mention the contribution of Canada Economic Development, without whose support we could not have accomplished all of these projects. Our collaboration with CED allows us to fulfil our mission to encourage communities to take charge of their future through local development.

I thank you.

The Chair: Thank you very much.

Ms. Manon Laporte, please.

Ms. Manon Laporte (President and Chief Executive Officer, Enviro-Accès Inc.): Good afternoon, everyone. My name is Manon Laporte and I am the President and CEO of Enviro-Accès, a private sector, non-profit organization established in 1993 that is part of the network of Canadian Environmental Technology Advancement

Centres. Our head office is located in Sherbrooke, Quebec. We have some ten employees split between our head office and our Montreal office.

Our mission is to link emerging environmental technologies with potential markets. Our clientele consists mainly of small-and-medium-sized enterprises from the environment and manufacturing sectors who want to strengthen their profitability while improving the quality of the environment. We provide a broad range of technical professional services aimed at speeding up project development. Currently, two other centres like ours exist in Canada: CETAC-WEST, based in Alberta, and OCETA, serving Ontario.

Over the past five years, we have worked with the Canada Economic Agency for Quebec regions on eight structural projects. These projects involved or involve several private sector partners, mainly SMEs, technical consultancy firms, a university, various federal sectoral departments, Quebec government departments and a number of regional organizations. The agency contributed \$1,611,196 to these projects, slightly more than 40 per cent of the projects' total cost of \$3,719,892.

Five of the projects have been completed and three are in progress, one of which has just gotten underway following the agency's funding commitment. As an example, the most recent project aims to raise awareness among 60 or so SMEs spread throughout the four regions in Quebec and support the implementation of pollution prevention practices and an environmental management system for production processes with a view to profitability and increased competitiveness. Past experience has shown that this project should increase profitability by \$50,000 to \$70,000 per year per SME, with expected earnings of \$1.5 million to \$2 million per year for all SME participants.

In fact, the 16 SME projects completed in 2003-2004 generated recurring savings of more than \$1.5 million in operating costs, with an annual average of approximately \$98,000 per business. These enterprises have realized investments of more than \$2 million and generated short-and-long-term positive effects on the environment. I am referring to reductions in greenhouse gas emissions, the waste of raw materials and the release of pollutants. Additionally, these 16 SME projects resulted in annual reductions of more than 200,000 cubic metres of natural gas, more than 100,000 cubic metres of water, 1,400 kilowatt-hours of electricity, 187 tons of hazardous waste and close to 600 tonnes of greenhouse gas emissions in 2003-2004.

In addition to participating SMEs and the agency, the project's partners are Environment Canada, which provides technical support, National Research Council of Canada, which provides financial assistance for technical operations in the plant, several private consultancy firms, mainly consulting engineering, and regional stakeholders from various organizations involved in businesses such as the local development centres, which help us locate and recruit SMEs.

At the request of the agency's deputy minister's office, I read Bill C-9, which aims to establish the Economic Agency of Canada for the Regions of Quebec. I support the passage of this bill in order to formalize the agency's existence in law and give it even more independence and weight in the federal government, as it would be represented in cabinet.

I am available to answer any questions the committee members may have.

•(1605)

The Chair: Thank you very much. That is excellent.
[English]

Brad, are you going to start off for the Conservatives? Then I have Sébastien and Denis and then Brian.

Mr. Bradley Trost (Saskatoon—Humboldt, CPC): I apologize. My French lessons are going well, but not so well that I will be able to ask anything that makes any reasonable sense. I could give German lessons, but that's not going to help here either.

I have a few questions in different areas. One of the interesting things we've seen in the bill is that the government has the terms "designated communities" and "designated regions". These are to provide a sort of broad, open designation of what it should be.

I am very curious to know. This is regional economic development, and Quebec is in itself made up of various regions. I was wondering if I might get input from each of you as to what particular regions—I know you are all going to say your own region—of the province should be viewed as designated communities, designated regions, regions and areas, or however you would describe the areas, that this department should focus on. In every province and every region there are wealthier areas and poorer areas that need it more or less. Are there any criteria any of you can think of that the department should prioritize inside the province? I don't know it all that well, and that's why I'm looking for some input on this question.

Everyone can answer, or we'll take one or two. If no one wants to answer, I'll start.

Yes? No? I'll pick on someone at the far end then.

Go ahead, Mr. Demers.

[Translation]

Mr. Clément Demers: I believe all the regions of Quebec are important, but I also think we need projects that bring about economic benefits. The projects must have economic spin-offs, which create value and have an economic, social and community impact in the regions.

We must choose the regions carefully as well as choosing the projects well. Projects like ours could be realized in other regions, but obviously not on the same scale. It is nevertheless important to ensure that these operations are not only cosmetic, but that they also transform a sector, that they allow it to become more competitive and better able to attract foreign investment. This was the case with our project.

Moreover, I feel it is important to promote the involvement of the private sector in public investments. You must understand that in the

end, all the stakeholders must contribute in order to achieve winning projects for everyone. The project we managed was profitable for all levels of government, for all of the private sector businesses that participated and for all citizens. I think these are the kinds of benefits we must study, as well as all of those associated with sustainable development. It is important that the projects chosen take this into account.

•(1610)

[English]

Mr. Bradley Trost: Is there anyone else who would like to comment?

I got from your general statements that you think it should be more project by project than for any particular region. Would that be a correct summary of what you state?

[Translation]

Mr. Clément Demers: There are valid projects in every region, but the choice of project must be as strategic as possible. By that I mean that projects should not necessarily be approved by region, but rather in terms of the significance of their economic benefits, whether it is in one region or in another.

Ms. Marie Barrette: I mentioned to you earlier that my region included the regional county municipalities of Beauharnois-Salaberry and Le Haut-Saint-Laurent. The latter RCM includes the town of Huntingdon, which I am sure you know. Our CFDC was only created in 2001, and CFDCs have existed in Quebec for 20 years. We were not created before that because of various economic factors, such as the unemployment rate, etc.

I really liked clause 6, which deals with designated areas, because some problems arise in certain regions, which bring about a crisis. Insofar as designated areas are concerned, I hope we will not be content to simply react, but that we will be proactive. Let us take the textile industry. We knew that one day it would come to an end. It would be good to foresee things, to consider designating or warning regions that may become regions at risk, in order to start working now on their economic recovery.

Fortunately, we began our study in 2003. There were plant closures in December 2004, when we had just tabled our report. And so we had a head start on the issue. I think it is wonderful to be able to designate certain regions.

[English]

Mr. Bradley Trost: I'll go on to another broad question. One thing I note, having studied industry policy and various other things, is that a couple of other problems continue to come up. There is the problem of skilled workers. I know in my riding some manufacturing plants are literally going to South Africa to find welders. The other problem is infrastructure.

I was curious to know with each of your projects here—again, we'll maybe take two or three as a sample—how well the economic project spending has been done and coordinated with overall infrastructure needs for the particular region and with the labour force problems, needs, etc., for the area. Again this is coming from my experience in my region, where regional development programs have not always been coordinated that well. Is this something that maybe should be focused on more, or is it working adequately now, in your experience?

[*Translation*]

Mr. Yves Goudreau: I will answer your question on the regions that we should give more assistance to. There must be designated regions. I think that within the framework of major global agreements like the WTO amongst others, this is understood and accepted. The government can therefore help.

I also agree that there are strategic projects, like clusters, for example, that we can help in certain regions, whether it is in Montreal or Quebec City, that do not necessarily have the same unemployment problems as the resource regions. Yes, there are projects, but I believe that the resource regions that were defined or designated by the Quebec government are important. It is important that there be good networking so that the impact of government initiatives is well coordinated. This is the regional component.

The other issue is the labour force. We are a growing business. There may be some difficulties in terms of personnel, in terms of staff training, but I think that we should be doing a lot of training in industry. Manufacturers such as ourselves have the social responsibility to offer training within our own factories, because we can see that the education system is not necessarily made for young dropouts or immigrants who are arriving in the region. For example, we are in the process of setting up a program through which we would train a group of five young dropouts and five new immigrants, and we would offer the courses directly in the factory. I think we have to be innovative. It is just like the rest of it. Innovation, whether we're talking about products or the way in which we develop staff, is the way of the future, and we do not need to go to South Africa for that.

• (1615)

The Chair: Mr. Giguère.

Mr. Raymond Giguère: I would like to answer both questions also, as Mr. Goudreau did, because both are related.

Indeed, there are regions that need to be designated due to particular problems. However, I won't go into this. They have been singled out and you know them. There are also sectors that would become a priority depending on the choices that are made as a society. For example, you said that some projects weren't as well organized in some regions. I found that the two examples of contributions I gave earlier were very well organized.

The first was born out of an opportunity identified by the community itself. The decision was made to focus on the strength of the community where the necessary labour force and knowledge were very present. We had everything we needed to succeed, and Canada Economic Development's contribution enabled us to go further and to make a place for ourselves on the national and international stage. It is important to encourage initiatives that are the result of such opportunities.

The other example was completely different. It was a sector that had problems in a region with a high unemployment rate and where it was difficult to draw on community-based expertise. The focus of the contribution was to both lay the groundwork necessary to develop this expertise and to go even further by further training people using different methods. These two factors must always be taken into account. Did the opportunity come about as a result of other opportunities in the community, or rather, was it born out of a crisis that needed to be dealt with?

The Chair: Thank you.

Mr. Gagnon, please go ahead.

Mr. Sébastien Gagnon (Jonquière—Alma, BQ): Thank you. I would like to thank you for being here today. This is an important matter. I would also like to congratulate you: the projects that you have developed seem to be bearing fruit and I am glad you see that these funds do indeed help.

I have a question to ask you. And I would like your answer to be a practical one. What is Bill C-9 going to change and what have you been told it will change? Indeed you have enjoyed success stories in the past, but my purpose today is to discuss the bill, which would involve changing the legal framework of the agency. I know that the minister and the deputy ministers have spoken about and explained the bill. What stands out for you, and in what way will the bill be beneficial?

Mr. Raymond Giguère: I'm afraid my answer might be quite naive. Structure, to my mind, is a matter of semantics. From what I have gathered in reading the bill, the only change is that one stage in the process will be eliminated.

From what I understand, rather than asking for funds or raising certain concerns through Industry Canada, the procedure will be to directly approach Economic Development Canada. Canada Economic Development will in turn deal with cabinet through its minister. To my mind, this is beneficial in two ways.

First, as I said earlier, and I'm speaking from ignorance here—this will enable the regions to express their concerns to cabinet without going through a middle man. Second, getting rid of a middle man should make the process more flexible, which may lead to us getting what we want. But I won't go any further. I am by no means an expert on this bill. I just wanted to emphasize how important it is to preserve Canada Economic Development's strengths and to provide the means to further enhance these strengths.

• (1620)

Ms. Manon Laporte: I concur, insofar as this bill confers a legal status upon the agency, as if it were a department. From what I understand, a minister has already been appointed.

The adoption of this bill will therefore officially establish a formal basis in legislation for the existence of this autonomous agency, just like the Atlantic Canada Opportunities Agency, whose legal status is the same.

Mr. Sébastien Gagnon: The fact remains that from a technical standpoint this will not involve any changes to the agency's programs or anything of the sort. Any change is of a purely legal nature.

Mr. Yves Goudreau: We are working in several western provinces. I have less experience of Canada Economic Development's involvement in western Canada. However, I do have some experience with ACOA in the Maritimes. As I stated earlier, we have some very competent staff assigned to Canada Economic Development. The Maritimes are smaller but you get the impression that in some ways they enjoy greater autonomy. And of course greater autonomy means agility, flexibility and speedy action. Perhaps this is just my perception. Nevertheless, I think that it is something positive. The most important thing is that a minister be present at the cabinet table so that Quebec's voice is heard more. A stronger voice never goes.

Mr. Sébastien Gagnon: So do you think that there may have been some mistakes made over the years?

Mr. Yves Goudreau: That is not what we are saying. It is a bit like having a discussion. We are here, but if we weren't, you wouldn't hear our point of view.

Mr. Sébastien Gagnon: Indeed. The matter of designated areas is also interesting. Two people have already raised it. What worries me, in this whole business, is that major urban centres will eventually want to have designated areas for major projects. Now, there are people from Abitibi, the Gaspé, and so on, to be considered.

So deciding on designated areas becomes a bit arbitrary. And yet the agency's former mission took into account regions that were not doing so well from an employment point of view, for example. There were factory closures. And this was already part of the mission. I do not know if you have noticed, but this has been withdrawn from the agency's mission under the new bill. To me, this has a more political flavour to it. The minister will be able through order in council to target and designate areas, and yet that was already included in the agency's former mission. What do you think of that, Mr. Goudreau? You mentioned designated areas earlier.

Mr. Yves Goudreau: Sometimes things happen. For example, the unfortunate events that occurred in Huntington. I think that it is important that the minister have the power to designate specific problem areas. All the same, I still believe that very dynamic projects, whether they be in Montreal, Quebec City or Joliette, deserve our attention. All governments, European and Canadian, designate particular problem regions. They may be regions with employment problems, or where a particular industry is being restructured, or a new type of industry might be being developed. I think that if this principle is accepted worldwide, well, then, Canada and Quebec shouldn't go their own way.

Mr. Sébastien Gagnon: Indeed. The issue of cooperation was also raised. Mr. Goudreau, you were the one who talked about the importance of networking. I think that everyone would agree on this. If projects are substantial and promising it is important to adopt a collaborative approach. However, in some regions the federal strategy cannot apply. For example, in Saguenay-Lac-Saint-Jean, where I come from, this wasn't part of the plans and the priorities. Faced with such a situation, what is the best approach?

Mr. Yves Goudreau: Any type of partnership between businesses or even on occasion between competitors may be desirable. In fact, I had such an experience with Canada Economic Development as president of the regional ACCORD committee in the Lower St. Lawrence region. The people involved were very flexible and

adapted very quickly to the way things were done. A designated minister, with the powers of a minister, would, I think, be even better placed to react to particular problems, such as those that may occur in Lac-Saint-Jean.

• (1625)

The Chair: Ms. Laporte, the floor is yours.

Ms. Manon Laporte: The Canada Economic Development Agency can much more easily adapt to the needs of a specific region, and that is what is interesting in its way of going about things. I feel that this is the best way by which the federal government can adapt to the needs of a region. All the other departments work in a sectoral manner, and they often have national strategies and approaches. The Canada Economic Development Agency has regional offices in 14 regions of Quebec. Each one has a regional director who has the power to authorize up to \$100,000 in contributions. This allows for networking amongst the partners in the community. It also means that particular needs can be supported rather quickly.

There is also the issue of strategic regional initiatives. Each regional office can determine the long-term development strategies for its region using the particular means that meet the needs of its community. The federal government thereby has great flexibility in terms of doing something in the regions.

The Chair: Thank you, Mr. Gagnon.

I now give the floor to Mr. Coderre, followed by Mr. Chong.

Hon. Denis Coderre (Bourassa, Lib.): Thank you very much, Mr. Chair.

It's a pleasure to see you again, Mr. Giguère. We crossed paths at the Technopole maritime du Québec.

You are on the right track. This bill is fundamentally based on the issue of status. We are not going to rewrite the Constitution. The Canadian government has a role to play with respect to development, stemming from the notion of complementarity that you spoke of earlier. However, that doesn't mean that there isn't any fine-tuning to do. You were all very eloquent in your presentations: this agency's flexibility allowed it to adapt in accordance with the regions' needs.

For your information, the minister appeared here last week. He said that he was willing to examine and reassess designated zones because the agency is not just a catalyst—as it is for example for the Quartier international de Montréal—but it must also provide development tools to less developed zones that have specific difficulties.

Suppose you were the minister and you had to make decisions. You have read this bill. Do you believe that we should emphasize the concept of growth in the regions? Mr. Goudreau, you spoke of this earlier with respect to the industrial sector. You talked about an industrial strategy. Would it be preferable to avoid saying that we are going to help designated zones only, and provide the minister with tools, to allow him to react to different situations? Would that be seen as an improvement to the bill, which is well drafted? Should we focus more on less developed zones, without necessarily making them a priority, so that Montreal is not pitted against Quebec City, nor Sherbrooke against other regions? In the Saguenay—Lac-Saint-Jean region, the federal government is very present. We do not believe those who say that we are not becoming a part of things. Perhaps there are people who do not want to see the federal government there, but that is another story. We won't get into politics today. Do you think the bill can be improved in this manner?

My question is for Mr. Giguère.

Mr. Raymond Giguère: I believe there are two ways of getting involved. The minister responsible for this agency must have all the tools necessary to support the development of initiatives and opportunities that surface in these regions; he must have the tools necessary to always go the extra mile to spur growth. He must take a proactive approach as opposed to a reactive stance, so that Quebec is able to assert itself to the fullest extent possible on the international scene.

The minister responsible must have these means, just as he must have the means and flexibility needed to respond to particular situations at certain times. I will admit that one tends to be reactive when problems occur. Earlier, I gave an example of where the minister intervened, in the area of wood product processing. This was crisis management triggered by different factors I won't get into again. Crisis management requires flexibility, adaptability, speed and the capacity to get other stakeholders involved, with other departments, with other levels of government.

The minister must have the ability to act on these two fronts. That way, the minister may designate sectors and regions which, according to him or her, are most likely to propel Quebec onto the national and international scene. That would also allow us to assess whether or not we are properly equipped to react when crises occur.

• (1630)

Hon. Denis Coderre: You say that it is an issue of status. One cannot hinder the minister's action. He must be able to work.

Mr. Raymond Giguère: No, the minister's action should not be hindered. Moreover, the minister should not hinder the actions of regional offices.

If we remove one level and the minister addresses himself directly to cabinet, we must ensure that all regional offices, which constitute the strength of economic development measures because they are close to the regions, retain their margin for manoeuvre. We should even increase their leeway, and on no account decrease it.

Hon. Denis Coderre: I have two brief questions, Mr. Chair. The first is to Ms. Barrette.

We are talking about communities, and the community environment. We already have a minister who is responsible for the social

economy, but it remains that CED can play a role at the community level. How do you see that?

My last question is to Mr. Demers. The devil's advocate would tell you that the secretary of state was strong because he was part of Industry Canada. Now that he is a full minister, are you satisfied with the legislation? We have given him an additional title, but have we given him the tools he needs to be as strong as he was when he was part of Industry Canada?

Ms. Barrette.

Ms. Marie Barrette: You are talking about the social economy. As a CFDC, our mission is economic development. We focus particularly on entrepreneurship. Obviously, that context could include businesses that are part of the social economy. I don't know whether I am answering your question properly, but to my mind entrepreneurship and the social economy can advance hand in hand without any problems.

Mr. Clément Demers: I find it interesting that we have an additional minister, as opposed to an existing minister who would be secretary of state. I think that an additional person means an additional voice. Obviously, that depends on the individual's strength within cabinet, and it also depends on that individual's budget. I think that CED's fundamental mission is an excellent one, and if the minister responsible for it is properly committed, you will find a great deal of willingness in the communities in all the regions to come up with excellent projects on which to build, projects that will generate significant benefits for each of the regions.

I would also like to stress the international aspect that was mentioned earlier. Nowadays, we must bear in mind that everyone is competing internationally. Regions compete against one another, and compete with other countries, just like municipalities compete with other major cities. This is why performance must be as good as possible. I think that we have to look at projects from a performance standpoint, to ensure we are in a better competitive position.

• (1635)

[English]

The Chair: Merci, Denis.

Michael, then Pablo, then Paul.

[Translation]

Mr. Michael Chong (Wellington—Halton Hills, CPC): My question is to all the witnesses. Section 14 of Bill C-9 states: "The head office of the Agency shall be in Montreal." Do you believe the head office of the agency should necessarily be in Montreal?

Mr. Raymond Giguère: I would suggest Rimouski, but...
[Editor's note: Inaudible]

The Chair: Do you have another question, Mr. Chong?

[English]

Mr. Michael Chong: I don't have any other questions. I'm interested to hear if they think that.... It's in the proposal. Article 14—

The Chair: It is possible that the witnesses prefer not to answer that question.

Is there a witness who would like to answer that? You don't have to answer.

Mr. Michael Chong: I'm just wondering if you feel it must be—
[*Translation*]

The Chair: Mr. Goudreau.

Mr. Yves Goudreau: Even if we come from the regions, Montreal remains for many of us the focus of economic activity. In any case, many activities and many decision-making bodies of the Quebec government are also located in Montreal. I would find it natural to set up the head office there. However, it is very important to maintain regional offices in the regions, along with all the expertise which is there now.

Mr. Clément Demers: Mr. Goudreau said exactly what I was going to say.

The Chair: Does someone else wish to answer?

Ms. Marie Barrette: I would like to add that the head office is currently in Montreal and that people in the regions do not feel disadvantaged because of the excellent services our regional offices provide.

Mr. Raymond Giguère: This is not a question I asked myself, or thought about. It gave me the opportunity to suggest Rimouski, but the answer is no! What is important as far as I am concerned is the capacity for action that regional offices will maintain. I have not thought about where the head office should be located. However, regional offices' capacity to take action and their flexibility are the most important factors, as far as I am concerned.

[*English*]

Mr. Michael Chong: The only comment I have is that in reading the proposed bill, I found it highly ironic that a bill for the economic development agency of Quebec, whose mandate would be to encourage economic development in those areas that are not as economically advantaged—primarily rural areas outside Montreal—would make it mandatory, within the bill, that the head office of the agency be located in Montreal.

Thank you very much.

The Chair: Merci, Michael.

Pablo.

[*Translation*]

Mr. Pablo Rodriguez (Honoré-Mercier): Thank you, Mr. Chair.

First of all, I would like to take a moment to congratulate Ms. Laporte, who today was appointed to the Round Table on the Environment and the Economy. Congratulations, Ms. Laporte.

I would like to discuss CED as well as the environment. I am wondering whether CED is a useful partner in view of increasing environmental requirements. In its work, does CED take environmental requirements into account? Has CED's existence resulted in any added value for the environment?

Ms. Manon Laporte: For some time now, CED has been taking environmental issues into account, particularly under a framework agreement established with Environment Canada. Under the agreement, which is still in force, the two parties have set objectives.

As far as I know, CED has a very particular sustainable development strategy. One of the strategy's initiatives targets manufacturing industry generally, through a project I mentioned briefly before you arrived—the Enviroclubs project. CED is the major financial partner in this initiative, which is designed to encourage manufacturing operations to take the environmental impacts of their activities more into account. CED would play a supporting role for in-house plant projects. It would assist businesses through the first stage of the process, where they would reduce their environmental impacts while increasing their profitability. We would then encourage them to continue along that road.

CED's role is to act as an initiator, ensuring that the businesses are informed and recruited, and implement a first project in cooperation with Environment Canada, as well as with the NRC. This is a very interesting initiative, because there are performance indicators showing very tangible results. This could have a significant impact.

Moreover, CED is right there with many businesses to support the development of technologies applied to the environment. Premier Tech is an excellent example of this approach. A number of organizations in the Premier Tech group are interested in developing environmental products or processes. Many other companies have benefited, and continue to benefit, from CED's support for projects comprising innovations applied to the environment.

• (1640)

Mr. Pablo Rodriguez: The environment should not be viewed solely as a social cost, be it from the standpoint of fighting for a better environment or of promoting the environment. We must also take the economic potential of environmental measures into account. New environmental technologies are a good example.

I represent a riding in east Montreal. I think it would be possible to develop a niche there for environmental technologies with exceptional short, medium, and long-term markets. In China, Brazil and Mexico, as well as in other countries where development is very quick, we could develop and export very useful technologies. The market will be huge in the next few years.

Mr. Yves Goudreau: For example, compare the assistance CED can provide and the support a banker can offer for environmental projects. Let's say that a reforestation project in Brazil is being called a technological showcase. It must be shown that the project is indeed not damaging to the environment, that the products are safe, and that they are good for the environment.

CED provides financial support for technological showcases to see the light of day. I do not see any organizations in Quebec or across Canada, particularly in the private sector, that could provide similar support for us as a private sector organization.

Mr. Pablo Rodriguez: Ms. Barrette, I see that you work in Huntingdon. Unfortunately, I was not here when you made your presentation, because I was in the House.

I would like to know whether CED is playing a role right now to revitalize companies following the textile plant closures.

Ms. Marie Barrette: As I mentioned, we undertook a study in 2003 to target sectors for economic development. We are already using this study. I sometimes meet with the mayor of Huntingdon, as I did yesterday. He has a specific need for which he is requesting help from Canada Economic Development. We should be able to fulfil his request soon.

CED works through the CFDC, which is a strong partner at the local level. That way, it can work directly, always in cooperation with local people.

[English]

The Chair: Mr. Demers.

[Translation]

Mr. Clément Demers: I will answer your first question about the environmental aspect, which is something CED promotes. In 1999, when we began our project, one of CEDs primary objectives was to deal with environmental and sustainable development issues. Every year we submit a performance framework to CED, and the first chapter deals with sustainable development and all the environmental issues.

Through our project, we have achieved some firsts for North America, such as installing fibreglass-coated liners in water lines. It is much better for the environment, costs much less and is much more durable.

I would even say that CED, more than other partners, has made us aware of environmental issues from the outset. Through this project, everyone is now very concerned about sustainable development and environmental issues. This was not necessarily the case in 1999.

• (1645)

The Chair: Thank you, Mr. Rodriguez.

Mr. Crête, please.

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Thank you, Mr. Chair. I would like to thank all the witnesses for being here.

My first question is for Ms. Barrette. Do you know the CANtex and CATIP programs? Have the companies in Huntingdon been able to get money through those programs?

Ms. Marie Barrette: I cannot tell you, because I do not know.

Mr. Paul Crête: Does that not usually go through the CFDC?

Ms. Marie Barrette: Not usually, no. Not necessarily.

Mr. Paul Crête: Is it because there is someone in Drummondville who is responsible for all of Quebec that it does not necessarily go through the CFDC?

Ms. Marie Barrette: No. I found out about those programs when I went to a presentation in Bromont on December 3, I believe, a week before the closures were announced. I went to that presentation with a counsellor from the LDC who was in direct contact with the textile companies. It is important to know that our CFDC was created in 2001. So we are still in start-up mode. The LDC is very close to the textile plants. We are getting going, and Canada Economic Development is directly involved, of course: in the case of a large company like that, Canada Economic Development is

directly involved. We work more closely with SMEs, smaller businesses.

Mr. Paul Crête: You say that the LDC has the closest ties to the textile plants?

Ms. Marie Barrette: The current LDC counsellor was close to the Huntingdon plant. That does not prevent us from doing our work on the ground. We worked in cooperation with each other. We are able to bring in the federal programs, which the LDC could not do.

Mr. Paul Crête: That shows me one of the ways in which you are limited in your activities. There are things that come under Industry Canada and that will continue to do so. There is no change in the legislation that will affect Technology Partnerships Canada, which has benefited Premier Tech Ltée and the whole Rivière-du-Loup region. That goes through Industry Canada. The programs that already exist will stay. The legislation will not change that nor will the fact that the minister is promoted. Are you aware of that? Good.

The second aspect that I am very interested in is the decentralization to regional directors. As a member of Parliament, every time I deal with them—and I do so regularly in the Lower St. Lawrence region as well as in Chaudières-Appalaches more recently—I wonder if there is some way of having this not leave Rimouski.

When decisions are made at the regional level, it is usually fairly easy to find a solution. When things start at Rimouski and then go higher up in the bureaucracy and get to the top... Is that what you were suggesting earlier, ladies and gentlemen? Would you like the legislation to ensure that regional autonomy is respected?

Mr. Raymond Giguère: What I was saying earlier concerned the important role played by the regional bureau right now, which it should keep. The regional office is close to the issues, it understands the dynamic well, and it has the capacity to build connections with a network of stakeholders. So that flexibility, which comes from the regional office's ability to act, needs to be maintained and even increased.

As for what should be in the legislation, I cannot give you an answer, because I have never drafted legislation.

Mr. Paul Crête: The intention to decentralize activities needs to appear somewhere. If regional authorities and regional directors have more latitude, decisions can be made more easily at the regional level. When a decision comes from headquarters, things get much more complicated.

I would like to know how you react to that and whether you share that view.

Mr. Raymond Giguère: I agree with you about decentralization, but only to a certain extent. One thing to keep in mind is that it is important not to end up creating little silos in the name of decentralization.

• (1650)

Mr. Paul Crête: We need at least to create cégeps.

Mr. Raymond Giguère: When we decide to work on something, there are three questions that we have to ask ourselves. Do we have the money we need to do it? Who will we work with? What will the outcome of that work be?

As for whether we have the money, we need a regional office with some latitude, some flexibility and the ability to act. We need a minister who will seek appropriations, etc.

As to who we will work with, it is important not to work in isolation. So we agree that the regional office needs to be able to act, but it needs to be able to do regional work at another level.

The same is true for the outcome of our work, regardless of whether we are talking about the national or international level. So we support the idea of flexibility, but we need to be careful not to create regional offices that would compete with one another and fight over who should get the funding.

Mr. Paul Crête: Would you be in favour of having regional development funding, whether through Industry Canada or other departments, transferred to the Canada Economic Development Agency, on the condition that Quebec's traditional share was guaranteed? I come back to the example of Technology Partnerships Canada. The CFDC or the regional office may be one way of accessing that money. However, the program comes under Industry Canada, and the decisions are made by people in that department. Nothing much will change, and the fight to get contracts will continue.

Ms. Marie Barrette: I was telling you that in our sub-committees, in the area of agriculture and agri-food, for example, we deal with Agriculture Canada. Similarly, if we have a project, we deal with Industry Canada. I do not believe that this prevents us from doing our work. One of the mandates of Canada Economic Development is, in fact, to develop cooperation with other departments and play a coordinating role for projects in the regions.

Mr. Paul Crête: In Quebec, there are two regional development structures that work in parallel: the LDCs and the CFDCs. In every region, people develop practices and ways of doing things that generally enable them to get the work done. But is this duplication not a terrible waste of resources?

Ms. Marie Barrette: No.

Mr. Paul Crête: The regional structures in Quebec existed before the CFDCs were created.

Ms. Marie Barrette: I do not like to contradict you, but I would point out that the CFDCs have existed in Quebec for 20 years. The LDCs were created after that.

Mr. Paul Crête: The regional development structure existed before then. I used to head up a CFC. CFDs existed before CFDCs. I am not talking semantics here: I could give you a course on regional development, Mr. Rodriguez. You and I will talk more about it somewhere else, where it is possible to do so. I could give you some serious lessons on the subject. For now, let me ask my questions.

If I understand correctly, your view is that the provisions in the legislation do not need to be amended and that there is no need to increase the powers of regional authorities. Would you like to make any suggestions about how the legislation could be improved?

Ms. Marie Barrette: As I was saying earlier, I am fully satisfied with the wording in clause 4, that is "relating to the promotion of the development and diversification of the economy of the regions of Quebec."

Moreover, clause 6 states that any area may be established as a designated area. I agree with that idea, since it could be necessary. You were asking me earlier how these areas will be designated. I believe that the major strength of Canadian Economic Development right now is its ability to adapt to regional needs.

Mr. Paul Crête: Do you know that the minister himself told us last week that he was prepared to amend his bill with respect to the targeting of regions facing economic problems? He considered that the legislation was not perfect.

Ms. Marie Barrette: That is fine. Any mention of creating, developing and supporting business promotion certainly affects me. It necessarily helps me carry out my work at the local level. Some aspects of the bill will really be very helpful to us. It says that the minister can sign contracts, memorandums of understanding, agreements and other arrangements in his name. That will eliminate an intermediary.

[English]

The Chair: Merci, Paul.

I have Werner and then David Smith. Then we are open to coming back. I have Michael after that.

• (1655)

Mr. Werner Schmidt (Kelowna—Lake Country, CPC): Thank you very much, Mr. Chairman. I have questions for two of the witnesses.

By the way, thank you very much for coming.

The first set of questions is for Mr. Demers and the second set of questions is for Ms. Laporte.

The question has to do with the project in Montreal. My concern is that I do not understand fully the cashflow diagrams. It indicates \$30 million from the province of Quebec, \$30 million from the federal government, \$14 million from the city of Montreal, and then \$16 million from private enterprise, for a total of \$90 million.

That \$30 million from the federal government—is that CED money?

[Translation]

Mr. Clément Demers: In fact, the \$26.5 million comes from Canada Economic Development regular programs; the remaining \$3.5 million also comes from Canada Economic Development, but through the Infrastructure Canada program.

[English]

Mr. Werner Schmidt: I look at the area in Montreal that has been chosen and I want to ask a more general question.

That's a very specific question. So most of it came from CED.

The question I have is, how was this project selected?

[Translation]

Mr. Clément Demers: First, there was a local initiative. All of the property owners in the area agreed to invest money in the public domain. It was the first time private property owners agreed to invest that kind of money in street and sidewalk maintenance as well as park development. We managed to get from those private owners a potential \$8 million.

Why did private owners want to come up with that money? Because they found it inconceivable to receive in such a little developed area—even at the Congress Centre—representatives from around the world coming to meet with other stakeholders from international organizations like the International Civil Aviation Organization or IATA. So they decided to invest money in the hope that the initiative would provide leverage and convince public officials to do the same.

So it was in the context of this joint undertaking of the Caisse de dépôt et placement du Québec and local private owners that the Government of Quebec, the Government of Canada and the city of Montreal finally agreed to contribute to the project.

[English]

The Chair: Monsieur Giguère, I know you have to leave, but did you want to say something before you left?

[Translation]

Mr. Raymond Giguère: Mr. Chairman, I just wanted to apologize to you and members of the committee. As I said earlier, I have to leave. I am very sorry, and thank you.

The Chair: We appreciate your effort. Thank you very much.

Mr. Paul Crête: Are you taking the only plane to Rimouski?

Mr. Raymond Giguère: No, this time, it's going to Quebec city, where I will be attending a meeting this evening.

[English]

Mr. Werner Schmidt: What I was leading up to, Mr. Chair, is exactly that. The \$26 million went to Montreal. Do you care?

[Translation]

The Chair: Perhaps Mr. Demers could answer the question.

Mr. Clément Demers: For that project, \$26.5 million and an additional \$3.5 million are in fact from Canada Economic Development.

[English]

Mr. Werner Schmidt: So when you make choices like this, are these choices made in the overall picture of economic development in Quebec, or is this a particular focus on a deprived area in Montreal?

[Translation]

Mr. Clément Demers: In terms of that project, all of the stakeholders were convinced that by revitalizing that area, Montreal would be better positioned internationally. And that has been confirmed by the arrival of new international organizations in Montreal and by the increase in the number of international conferences. So it was a wise investment. The proof is in the spin-offs for each of the partners. Those would not have materialized if the investment had not been profitable for everyone.

The beauty of such an operation, as the figures show, lies in the fact that the return on investment for each of the five partners is fabulous. That proves it is possible to establish win-win public partnerships involving everyone in very structuring projects.

• (1700)

[English]

Mr. Werner Schmidt: How much of this is a loan and how much of it is a grant or a contribution?

[Translation]

Mr. Clément Demers: The \$30 million is a contribution to a projet, not a loan.

[English]

Mr. Werner Schmidt: So CED actually doesn't get any of this money back?

[Translation]

Mr. Clément Demers: CED invested \$30 million, but as already made a return of \$42 million through tax and incidental tax, or over \$6.6 million annually. That's the Government of Canada's return. That's not bad, is it?

[English]

Mr. Werner Schmidt: There's no doubt, and it's an excellent... It looks great. The only question is, you're saying there's a return, but how is that investment paid back? Do they take an equity position? Does CED have an ownership position in this piece of real estate?

[Translation]

Mr. Clément Demers: No. It's a contribution to a development in the public interest. The return on investment comes through tax and incidental tax, through income tax and corporate tax. That's what is called direct and incidental taxation.

The amount of \$6.6 million annually, once again is either personal or corporate income tax.

[English]

Mr. Werner Schmidt: Thank you.

I'd like to then address a series of questions to Madame Laporte. They have to do with the indication in your report, in the second last paragraph, that in addition to the agency, the project's partners are Environment Canada and the National Research Council of Canada.

The financial assistance from the National Research Council intrigues me. How much did NRC contribute to that project?

[Translation]

Ms. Manon Laporte: The NRC contribution to these projects is \$5,000 per company. According to the agreement with CED, the work is to be done with around 50 or 60 companies over the next two years. So it's that many times \$5,000 from NRC.

If you want to know how it works, you have to know that CED is the organization that provides overall support for the recruitment of companies and consultants. That includes, among other things, training. The NRC provides a contribution per factory project. The NRC pays \$5,000 for technical consultants hired individually for each project.

Since our organization coordinates all 60 corporate projects, all federal assistance is channelled through our organization. It's more straightforward for the small or medium-sized business to deal with a single organization.

[English]

Mr. Werner Schmidt: Specifically, how much does your agency get from NRC?

Ms. Manon Laporte: We have the agreement with NRC, and then we hire—

Mr. Werner Schmidt: How much money is that?

Ms. Manon Laporte: We have the agreement, but it's based on \$5,000 per enterprise.

Mr. Werner Schmidt: Okay. Thank you very much. I wanted that clarified.

The other question I have, and then I'm done, Mr. Chairman, is there's an indication here that part of this is a loan. How much of the loan has been repaid, and what is the order in which the loan will be repaid?

Ms. Manon Laporte: I'm sorry, I didn't hear you.

Mr. Werner Schmidt: How much of the money is a loan, and what is the repayment schedule?

Ms. Manon Laporte: All this money is not based on reimbursement. It's a 100% contribution, but the fact is that the bigger investment is being made by the companies involved, by those SMEs. The role of the federal government, whether it's NRC or CED in that case, is really to make sure those small SMEs have an occasion to find out that it might be profitable for them to invest in preventing the pollution they make with their production. It's a really small investment on each project, and then the company makes the big investment. Depending on the case, it might be \$100,000, or it might be more than that. I had a project where the investment was, for one company, \$1.5 million.

But the case is that they have the first occasion to find out that the environment may be profitable for them, and it's only one project per company. It's really to have them realize that it's something interesting, and then they go with that.

● (1705)

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

May I make a comment, or not?

The Chair: A very brief one.

Mr. Werner Schmidt: I'd like to make it a little longer than brief.

The Chair: How would it be if I give you some time at the end?

Mr. Werner Schmidt: Okay.

The Chair: Merci. Thank you, Werner.

David Smith, then Michael Chong, and then we have some time for further questions.

David.

[Translation]

Mr. David Smith (Pontiac, Lib.): Thank you very much for being here. I am sorry I didn't get here sooner.

I am familiar with CED and the CFDCs, because I used to sit on the board of directors of a CFDC. I have a lot of respect for your work. What you do in the regions is extremely important. I represent a riding with 43 municipalities in it, and unemployment is in the 30% range. I don't need to tell you that economic development is a matter of survival for us, in some parts of the riding. I also know that CED sponsors or supports organizations like the Community Economic Development corporations.

I have a personal concern. In my riding, there are two aboriginal reserves. The economic development of aboriginal communities, whether status or non-status, is accordingly very important to me. Are there programs for that? Earlier, you referred to cooperation with other departments. Is there a development framework for aboriginal companies, to attract entrepreneurs or promote their development? You can draw up a business plan or a plan of attack to try to improve the situation of our regions, but is there a specific program for aboriginal communities that involves CED?

Ms. Marie Barrette: I don't know that subject well enough to answer your question directly. Our CFDC is part of the network of CFDCs in Quebec. Last year, we added a CFDC that was created in the far North, on the North Shore. It's an amerindian CFDC. In this context, perhaps that community should become a member of a CFDC.

I can't tell you whether there are specific programs for them because I don't know.

Mr. Yves Goudreau: Last year, we were approached by the North Shore Innu about a peat development project, because there is peat in Abitibi. The Innu joined with CED and the Quebec ministère du Développement économique régional et de la Recherche to have a major study on peat development done. That study has been released. Currently, the community is inviting companies to bid on the development of peat processing plants.

So there is already some excellent coordination between CED and the Quebec Department of Regional Economic Development and Research, for projects coming down the pipe.

Mr. David Smith: I would like to comment on what Mr. Crête said earlier about his concern over local development centres and relations among various organizations. I have worked with LDCs, CFDCs, CED and other local organizations. All of these organizations complement one another. Do you see that in other regions too? In a vast region like mine, with widely varying needs, there are three CFDC offices, three LDC offices and one CED office. Do you feel that this cooperation and partnership is found all over Quebec?

Ms. Manon Laporte: I have heard that in some cases, there was real complementarity, but often through boards of directors. They make sure, for example, that people sit on two or three boards. I have heard that in some places, that can cause confusion.

Mr. Crête put it well. That's an issue that needs to be addressed, and I don't think the bill addresses it.

I note that CED involvement in individual projects is always in complementarity with other organizations. Partnerships are easily cemented on the ground with local organizations. I think it would be worthwhile examining that if we are to ensure the best service to the public for the best public investment possible. There are things that could be done.

However, as you say, the situation must vary from region to region.

● (1710)

Mr. Yves Goudreau: Personally, I sat on the board of directors of an LDC for a number of months. I did not feel torn in that way. It is definitely harder to work in a coordinated way than in a concentrated way. Coordination always leads to something much stronger, because the community mobilizes. If organizations work together in a region to create something, they will succeed. However, if someone tries to concentrate the power, that is dangerous.

Ms. Marie Barrette: At the CFDC, we have been able to see that. There are two LDCs in our territory. For the study we commissioned, we managed to bring everyone together, two LDCs and two regional county municipalities. I think that is a good example of partnership. Given that we arrived in our region after the LDCs—that is not the case across Quebec, but it is in our region—we had to redefine ourselves. We tried to act in complementarity, not duplicate what others are doing.

However, when it comes to investment, there is nothing to prevent one of our developers from receiving one loan from the LDC and another from the CFDC at the same time. There is no problem with that. However, in order to improve our clients' services—because our efforts are always geared toward the entrepreneur—we have integrated both of our business plans. As a result, the entrepreneur has only one business plan, which is submitted to both organizations. That way, we try as much as possible to integrate our services, while retaining our distinctiveness. That works very well for us.

Mr. David Smith: I don't know whether you know this—and I certainly wouldn't want to be wrong about this—but I believe that the first CFDC came into being in my hometown, Maniwaki. Mr. Kevin Murphy was its first president.

Keep up the good work.

The Chair: Thank you.

Michael Chong, you have the floor.

Mr. Michael Chong: My question is for Ms. Laporte.

I had a meeting with your Ontario colleague, Mr. Ed Mallett, President of OCETA.

[*English*]

I'm happy to see that an initiative the Conservative government created in 1993—which is OCETA, your counterpart—still exists today, though I understand the funding is somewhat less today than it was then.

I'm interested to hear from you about how, if your focus is different, your agency differs operationally from OCETA in Ontario.

Ms. Manon Laporte: The difference between OCETA and us, I would say, is that we concentrate much more on working with SMEs. I think OCETA developed a really good expertise in having government mandates. They negotiate mandates with different departments, and they can deliver services to SMEs or to others.

In our case, we've been working more directly with SMEs, trying to bring them the different existing tools. It might be for the federal government, but we don't have, as much as OCETA has, a direct contractual agreement with different departments, except, I would say, for Environment Canada, where it is the same for OCETA, us, and also CETAC West in Alberta.

The second most important federal organization we're working with is Développement économique Canada on specific projects, but most of the time the different activities are really linked with one SME or a group of SMEs, and we do projects with them.

Mr. Michael Chong: In other words, OCETA conducts assessments and analysis for SMEs, and while you may do that, you also provide some of the funds?

Ms. Manon Laporte: What we do is we help them build projects. I think we're probably stronger in supporting the technology developers. They have other things that we don't have, such as, for example, ETV, the environmental technology verification program. We are not that involved in that aspect.

Most of the time we work more closely with technology developers, and for the last two years with other manufacturing SMEs in this project with Développement économique Canada called Enviroclub, which is close to what OCETA is doing with its eco-efficiency projects.

But the big difference is they're really getting more of a government mandate than we are.

● (1715)

[*Translation*]

The Chair: Thank you, Mr. Chong. Are there any other questions, colleagues.

Mr. Schmidt, did you wish to make a comment?

[*English*]

Mr. Werner Schmidt: Before I do that, I'd like to ask a question to Mr. Goudreau, if I might.

In your presentation you referred to Premier Tech. I was rather interested that here you have the emphasis on research and development, and there's a “DEC loan”.

I suppose DEC is the same thing as CED, except the letters are reversed. Is that correct?

A voice: Yes.

Mr. Werner Schmidt: Okay. The point here is I think it's \$33 million annually, and of this, \$12.5 million is to go to the government on an annual basis in a return. Is that a repayment of the \$33 million, or is it something else?

[Translation]

Mr. Yves Goudreau: It's something else entirely. The \$33 million is the total annual payroll that CED funded projects generate in Quebec. Across Canada, it's in the order of roughly \$35 million. If the tax rate is approximately 40%, that gives us the \$12.5 million. I have the economic analysis. If you are interested, I could send it to you in the next few days.

I don't have the precise figures, but we received from CED a \$5 million contribution, about six years ago, and the last cheque that we wrote and that I submitted was for \$700,000. So you get quite a quick return on your investment.

The money CED gives us is a loan. We are fortunate to have those loans, without which the banks would not come on board. We would lose all of the latitude that enables us to expand our business and award contracts to spin-offs companies. Fortunately, that assistance is available to us.

[English]

Mr. Werner Schmidt: The comment I wanted to make, Mr. Chairman, is that we have here obviously some pretty successful ventures and some pretty successful agencies, some very successful projects, and there's no doubt you can point to this as a considerable success. The minister did that last week as well.

The question I have is—

The Chair: Is it a question you're posing or a comment?

Mr. Werner Schmidt: The comment is in the form of a question, because I'm not sure these witnesses would be in a position to answer the question. It's a rhetorical question in that sense, but if anybody can answer the question I'd be very happy.

Are there projects CED has done that haven't worked out as successfully as the ones we've heard about?

The Chair: Are there any takers?

We could maybe find that out from others.

• (1720)

Mr. Werner Schmidt: Yes, I think that would be useful.

I guess the only other observation is that I think if there can be shown, and there has been in some of these instances, clearly a strong economic benefit to some of these developments.... And I'm really interested in the Premier Tech one; that one really got me going. I thought it was excellent. I think there are some good things here, but I really think we have to be very careful so that the whole thing balances out in an economic sense, both directly and indirectly.

I was very intrigued as well with the PPP, the public-private partnership. I think that is the way of the future and that there will be a lot more of that sort of thing happening. The question now is to take the politics out of it, and that's going to be the big challenge.

The Chair: Thank you, Werner.

Just before I go to Denis, as we have a couple of minutes, I just want to advise members from my notes that we have a good set of witnesses for Monday, and with any luck we're going to proceed to clause-by-clause, maybe by 5:15, and take some extra time if needed to complete Bill C-9. The clerk is asking that any amendments you have be in by noon on Friday, if you would, please.

Also, because of the budget next Wednesday, our regular meeting will be on the unregular day of Tuesday afternoon.

With that, we'll conclude with Denis. Then I'll thank our witnesses.

[Translation]

Hon. Denis Coderre: I would like to respond to our friend Werner. According to what I gathered from what the minister said, 78% of the loans were repaid. Clearly, there is always going to be some risk, but the return on investment and the fact that these tools are used as catalysts definitely have a multiplier effect. You can always find a bad example, but I think you need to build on your successes, of which there are far more. That is why we need to rely on this kind of development tool more, including loans, as Mr. Goudreau explained earlier.

[English]

The Chair: Paul?

[Translation]

Mr. Paul Crête: The first CED project in Rivière-du-Loup was widely successful, and that is partly due to the Technology Partnerships Canada program. There were two waves, the mobilizers 1 and 2. Around 300 young people aged 25 to 35 live in the region, not only on account of the significant leadership of that undertaking, but also because it is a program that has produced good results. There may be some examples of failure, but that project worked very well.

[English]

The Chair: *Merci, tout le monde.* Thank you very much, colleagues.

Thank you very much to our witnesses. You have helped us a lot today. I know you've come from distances, I think in all cases, so safe travel home.

With that, colleagues, we're adjourned.

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