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Chair

Mr. James Rajotte

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•(1215)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call the meeting to order. We started the first meeting late, so we're obviously starting this one late. I assume members have commitments at one o'clock. We also have two motions to deal with at the end of the meeting; it will depend on how many members have questions and if we can get through this as quickly as possible.

We do have a presentation from our witness, Mr. Orr. Unfortunately we have not had time to translate his presentation. It's more our fault, as Mr. Orr graciously agreed to come on very short notice. It will be done and it will be distributed to all members. He said he may need an extra minute or two in his presentation because we don't have the benefit of what he's handed out.

So those are just some explanatory notes of mine at the beginning.

We do very much want to welcome Mr. Dale Orr. He's the managing director of Canadian macroeconomic services at Global Insight. He's a well-known analyst and commentator on global macroeconomic situations. We're very pleased to have him with us here today to give us that global perspective on the manufacturing sector.

At this point, Mr. Orr, we'll just turn it over to you for your presentation.

Dr. Dale Orr (Managing Director, Canadian Macroeconomic Services, Global Insight Inc.): Thank you very much, Mr. Chairman.

It's nice to be back to speak to the committee again. I'm always happy to do what I can.

My presentation is really in four different parts. For part of it, I have a bit of data and some charts on the recent performance of the manufacturing industries. Another part is on the impact of the higher Canadian dollar on the economy—just one chart, actually, on the impact of higher energy prices on the economy—and then the policy implications.

I'm going to start off, actually, talking about the policy implications part, because even when you have the presentation there's none of the detail in there at all. Then I'll take a few minutes to go over the charts that I have on the recent performance of the manufacturing industries and maybe make a couple of comments on some of the work that we've done on the relationship between monetary policy and what's happening in the manufacturing industries today.

Policy implications. I have four points here, and then a couple of policy recommendations.

My first point, I think, is probably one that you're not going to hear from an awful lot of other people who you come before you, but do recall that I'm from an economic consulting company. What we do is analyze the economy and try to identify policies that can make the economy stronger than it would be otherwise.

So my first policy point is this. Exchange rate appreciation and higher energy prices are well-known risks of doing business. Any policy the government takes to ease the burdens of these events on manufacturers is bound to cost taxpayers and/or consumers. What justification can be made to Canadian taxpayers or consumers for forcing them to pay for these known risks of businesses? That's something I put in front of you.

Secondly, if the Canadian dollar stays around 90¢ U.S. for the next several years, and if the price of oil stays above \$55 for the next several years—and that's our forecast, and that's pretty much the private sector forecast that those things are going to happen—then in fact it's appropriate that the manufacturing sector comprises a shrinking share of Canada's GDP and employment. It's particularly appropriate that those manufacturing operations that are not knowledge-intensive become a shrinking part of the Canadian economy over the medium term.

Thirdly, the government should not provide special subsidies or trade protection or, the flavour of the day, tax credits to the manufacturing industry. Any policy support should be focused on easing the adjustment process to the higher Canadian dollar and to higher energy prices and to a more knowledge-based economy. There are several policies that would be of benefit to Canadian manufacturing, but these policies are recommended to promote the strength of the Canadian economy, apart from the specific challenges now facing Canadian manufacturers.

I'll make a couple of comments on monetary policy. When the Canadian dollar rises, whether the demand facing the Canadian economy rises or falls depends on what is driving the dollar up. If commodity prices are the dominant driver, the Canadian economy will expand slightly, even though manufacturing output and employment will fall. In this case, there's no reason for the bank to lower interest rates.

However, if the rise in the Canadian dollar is because of a general fall in the U.S. dollar relative to most currencies that are driving the dollar up, demand facing the economy will fall. Manufacturers, along with other Canadian exporters will be hurt. And there are a lot of people out there exporting who aren't manufacturers; they're not the only people who are suffering from the high Canadian dollar. The bank, under those circumstances, should, and I believe it would, loosen monetary policy to make up for the weaker demand.

There are therefore conditions under which manufacturers could be suffering significantly due to a higher dollar, but it would not be appropriate for the bank to lower interest rates to help them out. As Mr. Dodge said, they have one instrument, one objective, and for a range of reasons the dollar can go up. There are conditions under which you could have a higher dollar, with manufacturers hurting quite significantly, and I wouldn't believe the bank should, or would, react to that with a looser monetary policy.

• (1220)

I'll make a couple of comments on tax policy. There are three things I think we should do. Again, these are things we should do, and should have been doing; apart from the situation in manufacturing, these are just good for the Canadian economy overall.

We should reduce taxes on business investment. You're well aware that in terms of taxes on business investment we're very uncompetitive with the U.S. and most other developed countries.

We should reduce taxes on capital gains. We heard last January from the Conservatives that this is what they were planning to do. Obviously they have to think a little bit more about exactly how that can be done. It wasn't in the budget, but hopefully we'll see something in the next budget.

We should accelerate those planned reductions in corporate income tax. They're there, but 2008 or 2010.... I'm saying that, fiscal conditions permitting, these should get a very high priority. That would be good for not only the manufacturers but also the Canadian economy in general.

In terms of labour market policies, the federal government and the provincial governments and the private sector should increase the commitment to employee training. This would help manufacturers and those employees who may have lost their jobs. It would help manufacturers to become more competitive as well as help the economy in general.

We should revise EI policy. There's a ton of reasons why this should be very high on the policy agenda. Under EI policy, for example, less than half of the people unemployed qualify for unemployment. That's pretty well known. On the other hand, about half of all the money that goes out in benefits doesn't go to people under regular EI arrangements. It goes to maternity, training programs, extended benefits, and all that stuff.

The reason I'm bringing it up here—and obviously it's something we should be doing quickly—is that we should revise EI so that we can increase the incentive for interprovincial migration to more promising labour markets. For the people who are becoming unemployed in manufacturing—and there are thousands of them in manufacturing, as you well know—there are jobs out west. There's a

whole range of skill activities out there. Never has there been a situation where we could be more confident that somebody moving from being unemployed in central Canada or the Atlantic provinces would have such a high probability of gaining permanent employment in Canada. They have to move west, but there are jobs there and there will be for some time.

Lastly, we should facilitate more effective integration of immigrants to appropriate employment by more effective certification policies, and reduce the interprovincial barriers to certification of trades and professions. This could also help some people, and help manufacturers, and help the manufacturer employees as well.

Those are the policy implications I've come up with on this issue. I will also tell you about some of the data I've come up with that I think is useful background for a discussion on manufacturing.

The first point is that, as you know, the Canadian dollar started to rise at about the beginning of 2003. Since that time, what has happened is that the output in the manufacturing industries is about 8% higher now than it was back at the end of 2002, but employment in manufacturing is about 8% less. So part of what we're dealing with here is that everything that's happened in manufacturing in the last couple of years—the higher Canadian dollar, the energy prices, and other forces—has been much harder on the employment side than on the output side of the manufacturing companies. Of course, the wedge in between there is found in the increases in labour productivity that we talked about.

So it's quite important to know that the situation on the labour side is quite a bit more serious than it is on the output side. Even apart from that, some of the manufacturers, by outsourcing, have been able to keep their profits up. Now what that implies, of course, is that manufacturing has become a shrinking share of the Canadian economy over the last couple of years, both on the output and the employment sides. Even though output of manufacturing has grown, it hasn't grown as much as the economy in general.

• (1225)

The other point to make—just to expand on the point that David Dodge was making—is that there's a lot of variance with respect to what's happening in manufacturing. What I've talked about so far are the overall numbers, but if you go beneath them, what you'll find are a couple of industries that are really hurting—no doubt about it—but also some that are actually doing quite well. They're not all hurting. And, of course, there are others that are doing okay in terms of output, but in terms of their employees, they've had a lot of layoffs because of such sharp increases in labour productivity. So the company may be keeping its head above water, but it may have had a lot of layoffs.

In textiles, in particular, the output over the last couple of years has fallen, to only about 70% of what it was a couple of years ago. That's really tough; no other manufacturing industry has had its output fall by as much as 30% over the last couple of years. Now, we know with textiles that not all of the decline has been over the last couple of years and been a matter of exchange rates, and whatever; they've been in a long-term decline, and the Multi-Fibre Agreement was expanded. But it's a terrible situation there. Employment in the textile industry is only 62% of what it was 3 years ago; it's a terrible situation.

As for all the other industries, there's a group whose output is down slightly relative to three years ago, but there are three industries whose output is up about 15% from what it was a few years ago. The electrical industry is an interesting one; their output is down just a little bit, but their employment is down by about 30%. In the electrical industry, employment is down as much as it has been in textiles.

So that's just some background information on the manufacturing industries. Any detailed questions you'd have, I'd be happy to handle them.

On the Canadian dollar, just let me make a couple of points. I did say that whether or not the bank is likely to react to the higher Canadian dollar depends on what's causing it. Now, over the last couple of years, higher commodity prices have really been the overwhelming factor causing the dollar to go up—even though it's been a little bit of both, with some general fall in the U.S. dollar compared with all currencies. Going forward, the way we see it, generally speaking, is that commodity prices are more likely to cool, but the Canadian dollar will probably stay about where it is today, right around 90¢.

The ticking time bomb—and you got into some discussion on that—is that the U.S. dollar has a lot of downward vulnerability, meaning that the U.S. dollar will in fact fall, driving up the Canadian dollar, along with other currencies. So going forward, that will be the upward pressure on the Canadian dollar. If the Canadian dollar is going up because of a general fall in the U.S. dollar relative to other currencies, our demand falls, and the bank will come in with lower interest rates, whereas if the Canadian dollar is strong because commodity prices are driving it up, the bank won't intervene, because we've got strong commodity sectors, though weaker manufacturing, with economy still being in balance and doing okay.

On energy prices, I just have a point. If oil prices—

• (1230)

The Chair: Mr. Orr, could I get you to wrap up?

Dr. Dale Orr: Yes, this is the last point.

On oil prices and energy prices, if oil prices go up \$10 and they just stay there for the next couple of years, what happens to the Canadian economy? Well, the answer is that if natural gas prices go up proportionately with oil, and if investment gets going in the oil patch, that's very good for the Canadian economy. But there's a lot of talk about the impact of higher oil prices, and we've done quite a bit of thorough work here showing that what really drives the economy is not higher oil prices; it's only if and when those start to lead to business investment that you really get economic growth. It's not so

much oil, but natural gas. We export way more natural gas, especially on a net export basis, than oil. So it's really important what's happening to natural gas.

So when we talk about the impact of energy on our economic growth and on the Canadian dollar, it's important to know what's happening to investment in the oil business and what's happening to natural gas.

So with that, I'll leave it and will be open to your questions. Thanks.

The Chair: Thank you very much, Mr. Orr.

I have four members here. I have Mr. Holland, Monsieur Crête, Mr. Carrie, and Mr. McTeague.

Mr. Holland, you have the first round for six minutes.

Mr. Mark Holland (Ajax—Pickering, Lib.): Thank you very much, Mr. Chairman.

I know we're very limited on time. Are we finishing this round at a quarter to?

The Chair: The hope is that we can finish this round by a quarter to.

Mr. Mark Holland: I'll try to be less than six minutes, then—

The Chair: I'm at the mercy of the members here.

Mr. Mark Holland: —although I'm eating up my time right now.

Thank you very much, Mr. Orr, for coming before the committee. I just have a few questions.

We just heard from Mr. Dodge about how adaptive our economy has been. It's faced a lot of obstacles and it's been able to meet them very successfully to this point. We have a very robust economy. In fact, globally I think the economy has done very well in the face of a lot of things that we would have thought would have had a larger impact.

The question is, of course, going forward. There are a lot of things facing both the Canadian economy and the manufacturing sector in particular that are of concern on a go forward basis, and there's a question of what is the capacity of the economy to sustain these going forward? Obviously you have the slowdown in demand that's likely to occur south of the border, and given our trading relationship, that's going to have a major impact on us. And there's the rapidly appreciating dollar and the fact that, as you mentioned, there's a risk that acceleration could continue and that we could see the dollar move to a point of parity or greater. On energy prices, it's not looking to become a peak period of high energy prices, but rather a sustained period of increased energy prices.

All of these things are going to put tremendous strain on the economy. So obviously the imperative is there, not only for this committee but particularly the government, to take action to ensure that this process of adaptation can continue so that we can continue to be successful in the face of a lot of obstacles.

I want to come to the budget, if I could. We have a budget that's increasing income taxes on the one hand and cutting sales tax on the other, and I'd like to know whether you see that as helpful or detrimental to this goal of adapting and moving forward the economy. And there's the removal of the contingency reserves, essentially in the last budget, utilizing most of Canada's fiscal capacity for the existing programs in the budget, therefore removing a lot of the ability to do perhaps some of the things you're suggesting.

So I'd like to get your take on the last budget and its implications on some of these things we're talking about.

•(1235)

Dr. Dale Orr: Sure. Thank you.

Let me respond to a couple of points you made at the beginning about the adaptiveness. I'd just emphasize that a lot of companies have done a better job of adapting in terms of their output and their profitability, and part of that adaptation has involved layoffs. On the labour side, there are a lot more problems there than are on the company side.

Going forward, I'm really an optimist here, because one of the big benefits—David talked about this—of the lower Canadian dollar was allowing people and manufacturers in particular to buy machinery and equipment and pay for it with the higher, stronger Canadian dollar. I think we're at the early stages of seeing that machinery and equipment actually put in place, and of people knowing how to use it, and of seeing the productivity benefits. As you know, over the last six months we've had much higher productivity than in the previous year or so. So I think we're at the earlier stages of seeing the benefits of the higher Canadian dollar and of those purchases of machinery and equipment and productivity increases.

But your point on the U.S. economy is a troubling one. To a significant extent, in 2003 and 2004 our exporters were shielded from the effects of the higher Canadian dollar because the U.S. economy was booming. They lost on a relative price basis because of the exchange rate, but because the U.S. was so strong their exports weren't hurt so much. Now that shield is being removed, and we're forecasting the U.S. in 2007, 2008, and 2009 to have more like 3% growth, not the 4% they had before. But we're also not forecasting the Canadian dollar to move on average a long way away from 90¢ over the next couple of years either.

The budget adaptation.... Well, I talked about EI. In fact, I could give you a couple of things that may be well known to you. The unemployment rate in the eastern provinces has been higher than that in the western provinces every year, going back 20 years in every province. In the U.S., going back to 1995 and looking at the ten states with the highest levels of unemployment, there are only four of them in the top ten today.

The other thing not well known is this. Look at Saskatchewan. People don't understand. Saskatchewan's had a lower level of employment growth than every eastern province over the last decade—lower than every one—but they've had one of the lowest unemployment rates. Why? People get up and move when they're unemployed. So we have serious problems with people in the east

staying in areas of unpromising labour markets. I'm saying that now in the west there's an unprecedented opportunity. Jobs are there.

The EI is a part of it. It's only a part of that point, but it's something in which we can do an adaptation and get to it.

The budget? I see the GST cut as \$5 billion. It's an extremely expensive thing. It doesn't do much for productivity. I wouldn't say it has no productivity benefits, but it doesn't do much. If you were to take \$5 billion and put it into corporate income tax cuts and investments or whatever, there would have been bigger productivity benefits. I think even Mr. Harper would agree with that. He didn't do the GST cut for productivity, but it came at a cost.

Hon. Joe Fontana (London North Centre, Lib.): Why did he do it?

The Chair: It's not your round, Mr. Fontana.

Dr. Dale Orr: You can quote him. He said he wanted a tax cut you can see. It's in people's faces all the time, every day. They can see it and they appreciate it, I'm sure. That's what he said.

As for the contingency reserve you mentioned, I am much less troubled than I think you probably are. Really, what's happened in this budget is that what used to be called a \$3 billion contingency reserve to go to debt reduction if available is now just called \$3 billion of debt reduction. That's more semantics than a real substantive change.

Have I covered...?

Mr. Mark Holland: I think I'm out of time.

Dr. Dale Orr: Okay.

The Chair: Thank you very much, Mr. Holland.

We have Monsieur Crête.

[*Translation*]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Thank you, Mr. Chairman.

Mr. Orr, might I remind you that at the start of the 20th century, one million Quebecers moved to New England to work in the manufacturing industries. If, at that time, we had had policies to enable us to keep them at home, the population of Quebec would probably be about 12 million people today. I understand that you have an economic approach, but at the same time, people are neither chairs nor rats. We cannot decide that they will move just for a job; many other factors need to be taken into account.

In my riding, for example, the city of Montmagny lost 500 jobs when Whirlpool closed its doors. There isn't anyone in that part of the country who will tell people that the solution is to move to Alberta. That is not acceptable socially, it is totally inconsistent with our reality. Choices must be made. I understand your proposals. In economic terms, what you are saying is very interesting, but I did, nevertheless, want to make that comment. However, I have some brief questions for you.

You spoke briefly about the importance of natural gas. I would like you to elaborate on the importance of natural gas, and particularly, the issue of investing profits. People are currently making a lot of money in the energy sector. Are they reinvesting enough of it? In the end, if that is left up to the corporations, will there be enough reinvestment in the right places to maintain a balance in Canada? If a significant tax were placed on profits in the petroleum industry, governments, that are concerned with the common good, would perhaps have better tools to redistribute the investments.

I would like to hear you on that.

Finally, I want to talk about employment insurance. I just want to point out that there used to be an agreement in Canada: the people in the Maritimes and Eastern Quebec used the system and provided the raw materials. At one point, the system broke down. It has been tightened up to such an extent that people are starving, but at the same time, they are not receiving any money to help them transform the economy. When a decision is made to re-establish a balance in Canada, that should be taken into account. To date, it has not been done.

I have asked several questions, but there are all important issues.

•(1240)

[English]

Dr. Dale Orr: Thank you.

Let me start from the beginning, then, and make it very clear.

Yes, I can appreciate people's decision to move as an economic, social, cultural decision and everything else. I guess the point here, from the point of view of the policies that I would recommend...I'm not saying people should move, but the issue is, should you ask people elsewhere in Canada to pay the unemployment insurance for people who don't want to move? Obviously, if people don't want to move for their own family circumstances, that's their choice and they should make it. But the person who fights traffic for an hour and a half, or rides the subway in Toronto or has two jobs, earns \$35,000 a year and is paying \$800 a year in unemployment insurance.... If he's a policeman or a fireman or a TTC driver, he'll probably never collect unemployment insurance; he's paying \$800.

The point is, should you continue, and to what extent should you continue, to ask other Canadians to pay that unemployment insurance to people who stay in unpromising labour markets when today, in an unprecedented amount in Canada, there are opportunities in other markets? I think that's really the issue.

[Translation]

Mr. Paul Crête: But people in Toronto continue to eat lobster and cod, and they continue to build their houses with wood coming from our forests. They should be aware of that.

[English]

Dr. Dale Orr: Yes, okay.

Let me go on to your other points. With regard to the natural gas industry, the impact of higher prices of natural gas on the Canadian dollar is more important because we have much higher exports of natural gas. In terms of the impact on the economy, it's also very

positive when natural gas prices go up since the amount that we use is such a large fraction of what we produce, whereas with oil...and you know, in Quebec a lot of people suffer when gasoline prices go up. So there are a lot of negatives throughout the Canadian economy with a higher price of oil and a higher price of gasoline. It is sort of offset by the fact that, yes, we do export some oil, so that's why oil, in and of itself, has more or less a mixed impact. However, we're exporting a lot of natural gas and we export most of what we produce.

As to reinvestment in oil, I would say generally yes, the profits are being reinvested. In fact, many Canadian companies are making absolutely massive investments in the oil sands and there's a lot of reinvestment. As I say, that's what gets the economy going; it's when you get that investment. And investment is booming in the oil patch in the west.

Should we leave it up to companies? I would say definitely. I certainly wouldn't be in favour of the Government of Canada trying to tell the oil companies how they should reinvest their money.

•(1245)

The Chair: Okay, we have two. We have Mr. Carrie and Mr. McTeague.

We were supposed to stop at a quarter to, so perhaps you can ask brief questions.

Do you both want to go together? Good.

Mr. Colin Carrie (Oshawa, CPC): Thank you very much.

You mentioned in your policy recommendations that the government should not provide tax benefits or subsidy benefits to manufacturers. In Ontario and Quebec there are two large sectors, the automotive industry and the aerospace industry. Through not necessarily any fault of their own, but internationally, that appears to be how the game is played.

I was wondering what policy recommendation you would have, or would you have one, for industries that traditionally rely on government partnering and investments by government. And it's an international thing. What would we do as a policy here in this country to avoid losing those sectors?

Question two, I come from Oshawa, and you see layoffs and you see skilled labourers losing their jobs. I'm very much aware of what you said. In Alberta the economy's growing. They need skilled trades out there; they need skilled labour out there. Specifically, you've said to revise the EI policy. What solutions do you actually have there for that type of problem? I could see that happening now over the next few years with the manufacturing sector right here in Ontario.

The Chair: Mr. Orr, I think we'll get Mr. McTeague to put his question and then get you to address both.

Hon. Dan McTeague (Pickering—Scarborough East, Lib.): Last week you issued a report, Mr. Orr, that tells us in fact that income taxes are going up as a result of the 2006 budget last month. In your view, what is the economic impact of this, and more importantly, would you be kind enough to table that document before this committee? I'm sure members will want to see this as part of our overall study on impacts in the economy and in manufacturing.

The final question is of course with respect to arbitraging. The price of oil and the price of natural gas also seem to follow the same pattern—that is, whichever the highest price is, that is the law.

The Chair: Mr. Orr.

Dr. Dale Orr: Okay, first I'll go over here and say yes, I remember well when I did work in the Department of Industry and we had to struggle. What do you do when the name of the game internationally is subsidization, as it is in autos and aerospace? It's really a tough issue.

Obviously everybody loses when the game is played that way. So from the Government of Canada point of view, I would say, well, obviously the first thing we try to do is get everybody else to agree to let the market work. We've been trying to do that for 30 years. I'm not even sure we're moving forward rather than back, so it's really tough.

I would just say that it really has to be handled on a case-by-case basis. I would contend that in the aerospace industry, the amount of money that the federal government and the Government of Quebec have paid per job in aerospace...pretty expensive jobs. There are a lot of other things you could have done with that money that probably would have been better.

[*Translation*]

Mr. Paul Crête: That is provocation.

[*English*]

Dr. Dale Orr: On EI, I'm in the process of looking at that issue. It appears to be because we have had good mobility out of Saskatchewan, I don't think the case can be made that the general existence and generosity in policies of the Canadian EI program are a really serious barrier to mobility. The way EI has worked in Saskatchewan, that labour market has worked efficiently and effectively. I guess what this argues is that the extended benefits provision may be the nasty part of it that is applying in eastern Canada. It's a complex question and a lot needs to be done to be sure we know how important that is. Clearly it's a complex issue, but those two things appear to be the case.

Okay, on the tax relief, the \$20 billion of tax relief that you heard about in the budget, well, that includes about \$10 billion of that tax relief, about half of that \$20 billion. The government was measuring tax relief when they were actually increasing taxes instead of cutting taxes—yes. So there you have it.

Yes, I'll table that document.

• (1250)

Hon. Dan McTeague: Thank you.

Dr. Dale Orr: No problem.

So what else can I say? There are, I guess, two things I should say.

There still was \$10 billion in tax relief, and that's a pretty big number relative to what we've seen from 1993 right up until the economic statement of last year. That's a lot of tax relief relative to what we had seen until the very dying days of the Liberal administration.

The other is that I am really optimistic, going forward, that fiscal conditions permitting, the government will accelerate those corporate income tax cuts. They will, in fact, go back up on the personal income tax rates, the basic personal amount and the marginal rate that is in effect as we sit here today. That, I think, will be reattained in budget 2007, surely, along with other forms of tax relief.

I'm an optimist that going forward we will get more tax relief, and tax relief that particularly will help make the economy more competitive.

Hon. Dan McTeague: That's fine.

The Chair: I'd love to ask a question, Mr. Orr, but I think our time is up.

Thank you very much for being with us. We may bring you back as a witness. I know members wanted to ask some more questions.

Dr. Dale Orr: Well, thank you very much.

The Chair: I think we'll go right to the motion. I understand the time restrictions. We don't have Mr. Masse here, but perhaps, Mr. Holland, you could introduce your motion and the reasoning behind it, the rationale behind it.

Mr. Mark Holland: Thank you, Mr. Chair.

Again, I know time is short. I understand the minister is going to be before the committee next week, so there'll be opportunities to ask him some of the broader questions that relate to this.

I think there's a fine balance. Certainly, Canada wants to attract foreign investment, but I think it's also important first to ask questions—particularly when you have one of the largest takeovers in Canadian history—about ensuring that we do wind up with Canadian headquarters left at the end of these processes.

This motion simply deals with ensuring a level regulatory playing field, and I think that's certainly fair. It's not injecting ourselves into the debate at all, other than to say that the market should have the opportunity to consider all bids that are present—this is with respect to Xstrata and Falconbridge, also Inco—and that as European regulators are deliberating and are expected to make their decision on July 12, we similarly should ensure, and through this committee ask the minister to ensure, that there is a level playing field.

That's what the motion is calling for.

The Chair: Okay.

Mr. Mark Holland: I can read the motion if you wish, Mr. Chair.

The Chair: Do you have a point of order, Monsieur Crête?

[Translation]

Mr. Paul Crête: Are we debating the motion that we received 48 hours ago or the motion that we received this morning? If we are debating the motion that was received this morning, it is not consistent with our procedures. There must be 48 hours' notice, and we should debate the motion after 48 hours. If that is the one that Mr. Holland is putting on the table now, I am not prepared to debate it. It is not consistent with our rules. It should be debated once we have had 48 hours' notice.

[English]

The Chair: My understanding as the chair is that we were debating the motion that was submitted last week, I believe.

[Translation]

Mr. Paul Crête: I would like Mr. Holland to answer. The one he has in front of him is the one he tabled this morning. There is a major difference in the content of the two.

[English]

Mr. Mark Holland: Well, I spoke to the clerk at the beginning of the meeting with respect to the ability to amend the motion such that it incorporated what you see here, and the clerk advised me that was in order and was appropriate. Therefore, I've made the amendment and made sure it was circulated in both official languages.

[Translation]

Mr. Paul Crête: Mr. Chairman, if it is an amendment to the main motion, it should be presented that way. I have trouble seeing how we could move from one to the other by amending the motion today.

In my opinion, if Mr. Holland wants to debate that motion instead of the other one, we would consider it a new motion. It is not presented as an amendment. Moreover, he did not say that in his presentation. It should in fact be deemed a new motion and we should debate it 48 hours from now. In other words, if we want to debate a motion today, give us the motion that we received 48 hours ago. If we have a proposed amendment, we can debate it as part of the process. For the time being, the situation is unclear, and I would like to know how to interpret the situation, in order to know if we are debating the motion tabled 48 hours ago or an amendment. The one from this morning is certainly not in order for debate today.

•(1255)

[English]

The Chair: Mr. Holland.

Mr. Mark Holland: Mr. Chair, it's a motion by substitution, which is allowed in the rules of procedure. That's what I'm doing. I'm bringing this forward as a motion of substitution. It's regarding the same matter.

[Translation]

Mr. Paul Crête: Mr. Chairman, the routine motions have never covered alternate motions.

[English]

The Chair: I'm just going to respond, because I do have the second motion in front of me, and I would say as the chair that the motions are substantively different. In my view, it doesn't even seem to be an amendment. It seems to be a substantively different motion. If we allow motions by substitution, then the 48-hour rule is not in

effect, because Mr. Crête could introduce a motion and appear at the committee and say, "Well, I'm withdrawing this motion and substituting this motion."

Mr. McTeague.

Hon. Dan McTeague: Mr. Chair, I understand Mr. Crête's perspective. Perhaps it might be easier for the committee, then, to receive this as Mr. Holland's original motion and a proposed amendment to that motion by deleting the words—sorry, I do not have the original motion in front of me, for some reason—after "pursuant to Standing Order 108(2)," as I would recall.

I would move the following: pursuant to Standing Order 108(2), that the Minister of Industry delay closing the Investment Canada review of the Xstrata/Falconbridge merger proposal until after all other international regulatory bodies have ruled regarding the Inco/Falconbridge merger proposal.

That's a motion of amendment. I think that is consistent with our rules.

Mr. Mark Holland: So was substitution.

The Chair: Mr. Crête.

[Translation]

Mr. Paul Crête: If I understand correctly, Mr. Chairman, you are the one who ruled on the admissibility of requests. For my part, if you consider that we are discussing the original motion and that there is an amendment from a member with the other wording, we will debate it accordingly, but that is important for what follows. As you said earlier, if this practice develops, anybody here could give notice and show up with something different when the time comes to debate the motion. In that regard, the clerk has provided us with information that is more or less...

Nowhere in the routine motions have I seen anything about alternate motions, unless I am losing my memory. Perhaps I forgot, but I would like the situation to be clarified on the basis of the principle and for us to subsequently agree on the relevance of accepting it or not.

If you accept the motion and the amendment, I will follow the chair's decision of course. However, at first sight, it seems quite odd to accept to consider this motion as an alternate motion for the other.

[English]

The Chair: Okay, is this the same point of order?

Mr. Holland, Mr. Fontana, and then Mr. Carrie, on the same point of order.

Mr. Mark Holland: Mr. Chair, there's a matter duly before the committee, and as I understand it, a motion of substitution would be in order. It has been rephrased now to simply be an amendment.

The committee has an issue before it and it can take actions on that particular issue. This is not a totally new issue or an unrelated matter. It's directly germane to the issue at hand, and now the motion has been amended to say what action the committee should take in relation to that item.

If you want to deal with it as an amendment as opposed to a motion of substitution, then it certainly would be in order, because it's dealing with the same matter. It's simply how the committee is dealing with that particular matter and what direction it is taking on a go-forward basis. It's absolutely in order.

The Chair: Mr. Fontana.

• (1300)

Hon. Joe Fontana: I would suggest the same thing. I think we're getting into semantics here. I understand Paul's concern. We weren't prepared to deal with a specific motion, but during the course of any discussion, any member could essentially put forward an amendment. The fact is that the Standing Orders allow for amendments or substitution. That's the way they read. If you don't like that, change the standing order. The fact is that they fall either under substitution or amendment.

I think, to make everybody happy, we're saying let's do it as an amendment so that we don't get into the substitution discussion now but talk germanely about what I think is a very important issue with regard to natural resources in this country and how it is that we want a level playing field. Surely this benign—because it seems that way—motion essentially says to the minister, take all the time you need beyond 45 days in order to make a good decision for what's best for Canada. Vis-à-vis what the Europeans are doing as they look at Inco and Falconbridge and what the Americans are doing with regard to Inco and Falconbridge, we're asking Canada to do the same thing as it relates to Xstrata and Falconbridge.

The Chair: We have Mr. Carrie and Monsieur Crête.

Mr. Colin Carrie: I was just going to suggest, Mr. Chair, in light of the time, that perhaps we just approach this as a new amendment or a new motion and handle it first thing Thursday morning. Would that be appropriate?

The Chair: We have Mr. Crête and Mr. Julian on the same point of order.

Hon. Dan McTeague: Just to that point, Mr. Chairman, there is an amendment now before the committee, and I would suspect that we are going to have to deal with it. But to help the chair, I would point out that the minister has the prerogative of extending an additional 30 days. That is within his power at this stage.

Thank you.

[*Translation*]

The Chair: Mr. Crête.

Mr. Paul Crête: I am coming back to this, because the chairman himself raised the issue regarding the difference between the two motions. I will read the wording of the substantive motion: That forty-eight (48) hours' notice be required for any substantive motion to be considered by the Committee, unless the substantive motion relates directly to business then under consideration; and that the notice of motion be filed with the Clerk of the Committee and distributed to members in both official languages [...]

The motion we received in accordance with that talks about holding public hearings, making recommendations to the House, and reporting to the House. In parallel, we have another motion that simply asks the Minister of Industry to wait for the decision. In my opinion, the two motions are very different on the substance of the matter. In light of the precedent that may create, I think that we could wait until Thursday. If it is the right version, the other will be

withdrawn. If this one becomes the member's motion, we will examine it then, at the right time. It seems very clear to me that this is not the same motion and that it must not be considered as a motion in accordance with our regular procedures.

[*English*]

The Chair: Mr. Julian.

[*Translation*]

Mr. Peter Julian (Burnaby—New Westminster, NDP): Mr. Chair, I am not a regular member of this committee, but in other committees of which I am a member, when an amendment is in order, we simply move on to questions and to the vote. To my mind, this is absolutely consistent with committee rules. I believe that several members of this committee have said that this is completely consistent with the rules of this committee as well.

Mr. Paul Crête: It is up to the chair to make a decision.

[*English*]

Hon. Dan McTeague: Chair, the Standing Orders take precedence here. There is an amendment now before your committee, sir, and I suggest that it be considered here and now. I understand that we may get into a question of tests of what constitutes substantiality, but I think that is more than discretionary. The amendment, I think, has to be heard and has to be voted on.

[*Translation*]

Mr. Paul Crête: Point of order, Mr. Chair. My question was asked before we said that this was an amendment. I would like you to answer my initial question before we start to talk about the amendment, because I raised it before it became a motion to amend.

[*English*]

The Chair: Mr. Crête is correct. He did ask the question or put it to the chair before the amendment was made. Frankly, if we allow amendments of this type, you're basically eliminating the 48-hour rule and there would be no point in this committee having that rule, because any member of the committee could simply come before us, have a motion in their name, and make an amendment to remove every word after the word "that", and submit whatever they wanted, whether it's on the same subject or not.

Frankly, on the motion by substitution, the clerk talked to Mr. Holland without consulting me whatsoever. I will review the Standing Orders and the rules regarding motions by substitution, but it seems to me that we unanimously adopted a rule for the committee that we would have 48-hours notice for motions in both official languages, and that we would only allow amendments that are not of such a substantial nature that you basically change the entire motion.

• (1305)

Hon. Dan McTeague: Chair.

[*Translation*]

Mr. Paul Crête: That's his decision.

[English]

The Chair: Mr. McTeague.

Hon. Dan McTeague: Chair, to the very point of the question of substitution, I'm dealing with an amendment, whether or not you and Mr. Crête have understood this to be correct or incorrect with respect to the Standing Orders. If I am to look at both the amendment that I provided, as well as Mr. Holland's original motion, they deal substantively with the same issue, an issue concerning the takeover; they deal with Investment Canada; they deal with a series of companies; and they are in fact very much in keeping with the same notion.

The real question that you have attempted to address here is whether or not the amendment itself is in fact receivable, given the way in which it was first presented by Mr. Holland. My view is that that is not negotiable, and that the amendment has to be heard here now.

The Chair: I'm guided by what the committee adopted in its first meeting, which was to allow for motions to be presented to the committee only after 48 hours' notice. Mr. Holland properly did that for his first motion. I believe Mr. Masse also did so for his amendment; he gave the 48 hours' notice. That's what I'm guided by here.

If we are going to allow this, then the committee is basically saying that the 48-hour rule is not in effect. As you know, Mr. McTeague, you could have the issue of gasoline prices as a motion, but you could take every word after the word "that" and change it and substantively change the entire tenor of the motion at one committee.

So what I'm recommending—and I will rule if need be—is that this committee therefore perhaps sit for an extra half an hour on Thursday to discuss the new motion moved by Mr. Holland. We will sit at the end of that because we have not even got into the substance of this motion and we're already 10 minutes over.

Hon. Joe Fontana: If that's your ruling, Mr. Chairman, on a point of order, then I challenge the ruling of the chair, because I think you're confusing two issues. Any amendment, as ridiculous as it is... and believe me, your party has been known to put some crazy amendments even on the floor of the House of Commons and the Speaker has stood by it. But let's not get into this.

I think the amended motion is helpful and could attract the support of all the parties on a very significant issue. If in fact we want to get into the original motion, there may very well be some problems. I think this committee could do some very good work today by simply adopting the amendment that was proposed. I think if you set this precedent that any motion can't be amended from here on in, it is pretty dangerous.

The Chair: Okay, Mr. Fontana. My ruling is that this is the second motion. You've challenged the chair, so we will have a vote on the challenge of the chair.

All in favour of the challenge of the chair?

The committee is the master of its own house. It can abide by the ruling of the chair, or it can challenge the chair and overrule the chair.

All those in support of Mr. Fontana? All those opposed?

A voice: It's five against five.

The Chair: Am I allowed to vote on the challenging of the chair?

The Clerk of the Committee (Mr. Richard Dupuis): If you don't vote, there's no decision. Your ruling is maintained.

The Chair: I'm asking for the indulgence of members. We started off this committee with a very good spirit. It could quickly descend into just pure partisan lines, splinter in four different directions. Can we discuss it on Thursday? We will allocate half an hour after the other two meetings. We have the Chamber of Commerce and the Canadian Auto Workers Union. We'll allocate half an hour and Mr. Holland can introduce his motion.

Mr. Julian.

Mr. Peter Julian: Mr. Chair, as you know, when the committee is split as it is, normally we would continue with the process. We did receive notice of motion. It is completely appropriate to have an amendment to that notice of motion. As Mr. Fontana mentioned, if a notice of motion were required for every amendment, that would mean this committee could never get a motion adopted, because at each meeting as amendments are brought forward, a 48-hour pre-notice would apply.

So we do have an amendment that has been moved to a motion that was submitted in due form. I would suggest the committee move now to consider that amendment.

• (1310)

The Chair: Mr. Vincent.

[Translation]

Mr. Robert Vincent (Shefford, BQ): Let's not get carried away. Such an amendment does not amend the main motion, which is the real motion. In my opinion, this is not an amendment to the main motion; it's completely different. We can't start playing with words, and say that this is different and claim that it is an amendment just to have it debated. It is a new motion that contains new information.

We can interpret it any way we wish, but when we say that the committee makes recommendations in the form of a report to be tabled in the House, I believe that this is one of the most important points of Mr. Holland's motion. And yet the second motion doesn't even deal with it. This is not simply an amendment; the motion completely changes the main motion.

[English]

The Chair: I have Mr. Crête, Mr. Holland, and Mr. Bonin.

[Translation]

Mr. Paul Crête: I stand my ground with respect to whether or not this motion is in order, but I would like to know why this motion must be adopted today. Why the urgency? I would like some clarification on that, please. Why do we have to debate this motion today? What is the justification?

[English]

The Chair: Mr. Holland, do you want to address that?

Mr. Mark Holland: I've only been a parliamentarian for two years, and prior to that I was in council for seven years, but this is the first time I've ever seen a motion that wasn't allowed to be amended. It's dealing with an issue, and the issue is the same. It's a question of how the committee deals with that issue. I've never seen a motion that wasn't allowed to be amended. It's that precedent that concerns me. It's not the urgency of the motion; it's the precedent of being unable to amend the motion because it's taking the committee in a different direction on a particular issue. We can spend all day debating this, but to me it doesn't make any sense at all.

By the same token, rather than spend the entire day debating this, I think what we can do is move it to Thursday and have it as the first item of business on Thursday. And I would suggest that the steering committee have a conversation about the ability to amend motions. That's of concern to me, and I think you're hearing that from a lot of committee members. There's a very different opinion about the ability to bring forward an amendment.

What I would say, very quickly, because I think it's important, is that if you have a matter that is before the committee, and if that matter is dealing with a particular issue, and the committee, through amendment—if it doesn't want to do it through a motion of substitution—wants to take a different direction on a particular issue than the motion suggests, but it is still on the same item and still deals with the same issue, that should, in my opinion, be in order on a go-forward basis. Rather than try to resolve this now, my suggestion is that you put it to the steering committee.

The Chair: Mr. Bonin and Monsieur Crête, do you want to speak, as well?

Mr. Raymond Bonin (Nickel Belt, Lib.): Mr. Chair, you had proper notice of a motion, and you have to deal with that motion. If you don't accept the amendment as an amendment, you are faced with dealing with two motions that talk about the same issue. Get proper advice. You are creating a problem for this committee. If the first notice of motion passes, what effect does that have on the second? If it doesn't pass, what effect does that have on the second? What should be an amendment has become a main motion. It just doesn't make sense.

The Chair: Just to clarify that point, the clerk advises me that the 48-hour notice was not given for the second motion.

Mr. Raymond Bonin: No, but it will be given by Thursday.

The Chair: It would have to be given today for Thursday.

Mr. Raymond Bonin: You have two main motions—

Mr. Mark Holland: On the same issue.

The Chair: Mr. Holland can choose to bring forward the motion.

Mr. Mark Holland: I've made a recommendation. I don't know if you want to take up the suggestion.

The Chair: I appreciate that.

We'll have Mr. Crête, and then I'd like to wrap this up.

[*Translation*]

Mr. Paul Crête: I am ready to debate whether or not the motion is in order, whenever you would like. But an amendment in which the only word from the main motion that appears is « that »... Based on that rationale, anything can be amended. I could even throw in some fish, if you like.

To hold a debate at the steering committee on whether or not this motion is in order is inappropriate. I don't believe that it is the right place, because members who are not sitting on the steering committee will want to reopen the question again. Let's block off some time, perhaps in September, to discuss the issue, but until then, let us duly discuss this motion at the appropriate time, that is after 48 hours' notice.

● (1315)

[*English*]

The Chair: I'll wrap it up.

I appreciate that. I think Mr. Holland has made a very gracious suggestion.

Do I have agreement for the first item of business on Thursday? Can we meet at 10:30, then, because we have the Canadian Auto Workers.

[*Translation*]

Mr. Paul Crête: I don't agree that this is a priority. We need some time before or after to discuss this, but this should in no way affect our study of the manufacturing sector, because we have to produce a report on that subject by June. We can take a half-hour either before or after, but we cannot use up any time scheduled for the topic that has been placed on the agenda.

I, for one, mark this as being my 14th priority, as compared to the other.

[*English*]

The Chair: Here's a suggestion, then. We'll have a separate meeting to deal with this issue. We'll deal with it from 10 to 11 o'clock and make sure we're finished discussion on this issue by 11. Hopefully we'll finish much sooner than that.

Then I will follow Mr. Holland's suggestion. We will take this up with the steering committee. The decision will have to be made on what constitutes a substantive and what constitutes an amendment. Can we amend motions completely, or are there limitations on the kinds of amendments that can be accepted or not?

Okay. The meeting is adjourned.

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