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Chair

Mr. James Rajotte

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• (0905)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I'll call this meeting to order, members.

Thank you very much for being with us today.

We're here in Windsor on our cross-country tour, a study of the manufacturing sector, as we finish the study of the challenges facing the manufacturing sector, pursuant to Standing Order 108(2). This is the 32nd meeting of the Standing Committee on Industry, Science and Technology. We're very pleased to be here in Windsor. This is our sixth major centre in about four days, so we're a little weather-beaten, but we're here and we're very glad to be here.

We have with us today four witnesses for the first section, from 9 o'clock to 10:15, a very short time, but we look forward to the discussion. We have two guests with us right now. We have Mr. Patrick Persichilli, director of administration and corporate affairs for Valiant Machine & Tool Incorporated. Secondly, we have the president of Platinum Tool Technologies, Mr. Dan Moynahan, with us here this morning. We are expecting two others, who we will bring to the table when they arrive. Perhaps we could start with Mr. Persichilli.

Mr. Gary Parent, from the Windsor and District Labour Council is here as well. Welcome, Mr. Parent.

We will start with up to five-minute opening statements from the witnesses and then we'll move directly into questions and comments from the members to the witnesses.

Mr. Persichilli, we would ask you to start with your opening statement.

Mr. Patrick Persichilli (Director, Administration & Corporate Affairs, Valiant Machine & Tool Inc.): Good morning, Mr. Chairman and committee members.

It's an honour to be here testifying on behalf of the Valiant group of companies.

Valiant, founded in 1959 by Michael G. Solcz, is a fully integrated manufacturer supplying automated production systems, industrial parts cleaning systems, and plastic injection and casting production toolings for the automotive, aerospace, construction, and forestry industries. Currently Valiant operates in 17 facilities located in Canada, the United States, Germany, Austria, the Czech Republic, Poland, and Belgium. The company employs over 1,200 highly skilled employees globally.

It's no secret that the Canadian manufacturing sector is facing some significant challenges. One of the most constant themes in any discussion on manufacturing in North America will invariably include the impact of emerging markets on the profitability and competitiveness of domestic manufacturers. We combine that with the effect of a strong Canadian dollar and rising input costs, and the impacts on our economy have been devastating.

To help this struggling industry, the Government of Canada must ensure that Canadian manufacturers have the support and infrastructure necessary to not only weather short-term economic downturns but also a changing global economic environment. It would be deeply troubling for Canada to lose such a critical economic sector because of a lack of government support and action. Valiant's customers are demanding lower, more competitive global prices on all products, programs, and services. These price reductions are driven by the fact that our competition in emerging markets such as China, India, and eastern Europe not only enjoy significant labour cost advantages but also significant government subsidy advantages, thus allowing them to offer their products and services at a much lower cost.

We can look at the *Globe and Mail* report on business article this morning about parts makers being hit again by the foreign onslaught. It's a common theme. It's daily. It's something that many within this sector, within this region, face on a daily basis in terms of economic challenges and adversities. These challenges have forced Valiant and many companies like ours to look for new ways of doing business. We realize that the Canadian manufacturing sector cannot solely depend on deep cost-cutting initiatives to sustain profitability in the long term. Canadian manufacturers must look beyond cutting worker wages and embrace the innovation paradigm. Valiant believes that the MTDM sector in industry must work with all stakeholders to create opportunities to remain cost-competitive.

I am proud to report that Valiant has had some success in developing and marketing new and innovative technologies. New high-performance niche product developments like Valiant's Valu-Flex vehicle framing system, our four-plus-one roller hemming system, and a hydrodynamic pulse nozzle for a parts washer application are just some examples of how Valiant, and we at Valiant, have created value for our customers and have increased Valiant's global competitiveness through investment in innovation and research development.

However, given the current economic climate, it is becoming more difficult for Valiant and for like companies to make these investments and remain globally competitive. Valiant offers some recommendations on what can be done to strengthen the manufacturing sector in Canada, but given the time constraints this morning, while I could talk for about six weeks on the subject, I'll make some key observations about the recommendations submitted in our report.

We recommend the expansion and/or the creation of a loan financing system that bases repayment on future cashflows derived from product and process innovation. This system must better reflect industry needs and include shared costs for capital investment and administrative and skills development expense. Governments must be willing to accept the financial risk with manufacturers to help improve global competitiveness through increased productivity. We require programs that help companies gain the financial resources to invest in the latest technology and equipment to improve our global competitiveness.

New kinds of research resources are needed to support Canadian manufacturers. While it does have some strengths, the current Canadian infrastructure for supporting industry innovation fails to meet the needs of the MTDM sector. Research and development support vehicles, primarily driven through university-based research, need to focus more on commercialization as opposed to pure research, and must represent leading-edge practices and be linked closer to industry needs. This disconnect needs to be fixed immediately.

• (0910)

It would be prudent for the federal government, given the substantial budget surpluses, to make changes in parallel with provincial governments and enhance investment tax credits and credits for capital acquisition, which would immediately help to offset costs, improve competitiveness, and increase government revenue.

One of the inadequacies of the current SR and ED tax program is the treatment of capital cost allowances. These allowances should be increased significantly and must be done immediately.

Governments must continue to use investment vehicles to encourage growth in the manufacturing sector. The Province of Ontario's successful automotive investment strategy, as well as the former federal Technology Partnerships Canada program, must be continued and enhanced. The federal government must tie these recommendations into a comprehensive actionable policy dealing with the automotive and manufacturing sector.

We don't believe at Valiant that government intervention, subsidies, and investment alone will fix the competitive problems that exist today.

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

We'll now go to Mr. Moynahan for a five-minute opening statement.

Mr. Dan Moynahan (President, Platinum Tool Technologies): Good morning.

I'm the owner and president of a small mould shop in Windsor. We started the shop in 1999 and we presently employ 41 people. Our company specializes in the design and manufacture of thermoplastic and thermoset moulds for the automotive lighting industry.

To give you a little background on the Windsor and Essex County metal-cutting industries, they are comprised of over 300 shops, employing approximately 10,000 skilled people directly. More than 70% of these shops have fewer than 100 employees. There are 75 mould plants, with approximately 3,500 employees, and over 100 tool-and-die and fixture and automation plants, employing over 3,600 people. And there are subcontract shops occupying over 100 plants and employing 3,000 people.

As I move forward with my presentation I will be focusing on the mould industry, as that's where I've spent my whole career, but the same problem exists throughout all the industries.

One of the first challenges is the payment terms. Of the shops in our area, 90% generate their revenues from the automotive industries. The OEMs have stretched payment terms out to be based on PPAP approval. To the OEM, this stands for production part approval process. To the mould shops, this stands for "pay people as you please".

The terms usually mean that you will receive payment 18 months from the date you receive the PO and start building the tool. The result is that tool shops are financing the OEM and tier ones until the vehicle launch. The result devastates the cashflow for these companies. The banks are continually skittish about investment in the sector, especially with the current state of the North American auto industry.

The government has supplied some relief in this area through the insuring of receivables with the EDC. This affords the tool shops an additional 15% to 20% in margining towards the operating line and cashflow relief.

For domestic Canadian sales, companies pay the 6% GST within one month of the invoice date, while the payment for the receivable is not due for another year. This reduces the additional margining benefit from EDC insurance down to 9% from 14%. Worse yet, the GST payment is made from cashflow with borrowed money for the operating line.

Many companies have been devastated when a domestic customer files for CCAA protection, as the tool shop is an unsecured creditor. There needs to be a system established to allow the tool shops to register a lien against their tools to protect themselves.

The rapid rise in the currency exchange has made all manufacturing sectors in Canada less competitive. Other countries do not allow their currency to float with the world market, contributing further to unfair advantages and trade practices.

As recently as one year ago there was a major shortage of skilled trades workers in this area. On any given Saturday, you could open *The Windsor Star* and find a minimum of two full pages of ads seeking skilled trade employees. Today you'll be lucky to find two ads, period.

The companies and the government must work together promoting the opportunities these skilled trades afford the youth of tomorrow. Additional funds must be made available to support the training of these skilled trades through such programs as the Ontario youth apprenticeship program.

Windsor and Essex County will emerge from this recession. Once again, the need for the additional skilled trades personnel will return.

The statistics I'm going to read are from over a 10-year period from 1996 to 2005. During this period, exports amounted to over \$10 billion in the industrial mould manufacturing industry. Exports increased by 18% over this 10-year period, and 89% of these exports were generated in the province of Ontario.

The United States consumed 87% of these exports. China, Taiwan, and Hong Kong accounted for 1% of the total exports, or \$71.6 million.

China's growth in exported moulds purchased from Canada increased by 120%, in line with the total gain of 118% in Canada. South Korea did not make the top 10 exporting countries that Canada exported to. Over this period, though, Canada's exports to South Korea represented 0.12186% of the total industry total. Exports to South Korea in 1996 were \$3.7 million. In 2005 they dropped 30% to \$1.1 million.

● (0915)

During the same period Canadian imports amounted to over \$5.1 million. Imports to Canada grew by over 120%. Eighty-three percent of these imports came from the United States. Ontario accounted for 82% of these imports.

China accounted for \$86 million worth of imports, which represented a 2,246% growth. South Korea imports into Canada increased to \$8.6 million in 2005, an increase of 1,568%.

The next numbers are year to year. These numbers are based on January to September 2005 and January to September 2006. Canadian exports to China in this timeframe grew by \$9.8 million, Canadian imports from China by \$27.2 million. The net result was Canada's trade imbalance grew in 2006 with China to a negative \$17.4 million, which represents a 39% increase in the trade deficit.

The Chair: Mr. Moynahan, we are running over time here, so if we could have you conclude then we'll move on to the other witnesses. We only have an hour and 15 minutes this morning.

Mr. Dan Moynahan: I don't know where to stop, but maybe there will be some questions later on.

The Chair: There will definitely be some questions. Thank you very much for that.

We will now move to Mr. Parent with a five-minute opening statement.

Mr. Gary Parent (President, Windsor and District Labour Council): Thank you very much, Mr. Chair and the committee. Welcome to Windsor, as you come to Windsor on this particular day.

I'm the president of the Windsor and District Labour Council, and I represent over 40,000 different affiliates to my organization. I'm also the financial secretary of Local 444 of the Canadian Auto

Workers, representing Daimler workers and some parts manufacturing plants here in the city of Windsor.

I share the views of the two previous speakers and the concerns that we have in relationship to the uncompetitiveness we find ourselves in within the Canadian economy and the auto industry. When one looks at what's happening as far as a level playing field is concerned.... And I know the committee has previously heard the Canadian Auto Workers presentation in regard to what's happening. I'm talking particularly about what Buzz Hargrove, the president of the Canadian Auto Workers, said in relation to a level playing field.

We do not have a level playing field here in Canada. What we do have is a continuous onslaught of—and these are my words—dumping from offshore producers into our country and the United States as well, which is having a devastating effect. Contrary to what you may have read in the paper this morning from Mr. Desrosiers, that everything is fine in the auto industry, it's fine if you're an offshore producer that imports 80% of your parts into this country from where their home base is, but it's certainly not good for the manufacturing industry within this community and other communities in Ontario predominantly in relation to the production of the automobile. There are a lot of reasons that I think this is taking place.

There has been a lot of emphasis by governments both federally and provincially on the whole question of taxation. The actual facts are, according to the World Economic Forum, that back in 1999, when we ranked fifth in the World Economic Forum scorecard, Canada's taxes were slightly higher than the OECD average. Today they are substantially lower. Indeed, Canada's taxes have fallen faster since 1999 than any of the 15 countries ahead of us, by 3.3 percentage points of the GDP. According to the Organization for Economic Cooperation and Development, we're at \$50 billion per year.

Yet the faster we cut taxes, the further we fall in the competitive rankings. Why is that? We say it's because we're not on this level playing field. We say that it's government policy that is dictating our disadvantage in relationship to some of our other competitors offshore. Why do we not have the same opportunity that they do, and obviously have access to their markets? It's hurtful when we hear the CEO of the DaimlerChrysler Corporation, Tom LaSorda, indicate in the press this week that they're looking to China to have parts imported into this country. That's absolutely devastating to the people to the right of me when they look at this type of an announcement from the head CEO of a multinational corporation that is looking elsewhere.

We can compete as workers in this particular country. We have good skilled workers. We need more skilled workers, and that brings me to another point. As far as funding for schooling in relationship to the whole question of trade is concerned, when you look at trades in this particular economy or in this day and age, the actual funding for education has fallen. It's fallen to the detriment of us as Canadians.

We believe there have to be more federal dollars and provincial dollars going into the training of our workers, our young workers, and those who are going to be displaced as a result of some of these policies I prefaced my remarks with. We can't have older workers, as an example—and we cite older workers as 50 and older—not having the opportunity to be retrained into viable jobs, not just have access to unemployment insurance, which is another subject I could get involved in, and the whole question of what's happening there in relationship to workers.

● (0920)

We need workers who are going to have the opportunity to be retrained and have the ability to get back into the workforce for jobs that we hope, through government change in policies, are going to be prevalent.

I look forward to the dialogue today with the committee, and we'll be open to questions. I have other information that possibly we can get into later.

I have a colleague with me today, Mike Vince, who is the president of Local 200 of the Canadian Auto Workers. Hopefully he'll have an opportunity to give a personal point of view of what's happening to his particular local in the onslaught he's facing with the closure of an engine plant and what the community is facing with the possible loss of 2,200 jobs.

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

We'd also like to welcome our fourth guest, Ed Bernard, who is the president of Bernard Mould. Welcome to the committee. You have five minutes for an opening statement, and after that we'll move to questions from the members.

Mr. Ed Bernard (President, Bernard Mould): Thank you, and welcome to Windsor.

Windsor is often looked at as an automotive town and automotive assembly town, but according to the Windsor-Essex Development Commission statistics, there are more people employed by the plastics and tool-and-die sector in Windsor than there are by the three big auto plants. That puts into perspective how many manufacturing jobs there really are in the area.

I've been president of Bernard Mould for 21 years, and exactly a month ago we realized that we have to shut our doors now. I'm still president for two more months. We're not sure where it's going to be going, but Bernard Mould is closing now after 37 years of manufacturing.

We've shipped moulds to China. We've shipped tools to Taiwan, Mexico, Germany, and Malaysia. We've been very involved in different industry associations. We've been involved with the American Mold Builders and we also participated with the United States International Trade Commission investigation—very similar to what this investigation is—two years ago. That group went through Windsor and parts of southern Ontario, trying to understand better. They analyzed 11 different countries. I'll make that report available to this committee.

I agree with everything that's been said previously. We can be competitive. We have some of the cleverest people in the world. The Canadian culture has been very facilitating to attract people from all

over the world to bring their skills here. The SR&ED ITC program, the innovation tax credit program, is extremely important. The investigators have begun to clamp down. Rather than being more facilitating, they have become more strict, to a point of being unnecessarily strict, and that's going to really hurt the manufacturing sector. This is a vehicle the government has to help level the playing field, and it's something that really needs to be revamped, if anything.

I know that to set a new vehicle in place that can help out manufacturers is very difficult, but the ones that are in place, and especially the ones that are working well, should be relooked at and bolstered to help where we can't compete in some other areas. One year ago in November there was a group of South Korean delegates coming through, of course with the promise of free trade with Canada. The mayor of the Gwangju area was here. They had over 20 people in the delegation. They put on a presentation at St. Clair College and then another one in Troy, Michigan. They were offering in their PowerPoint presentation to build us buildings in South Korea in the Gwangju area—they showed us the real estate and everything—rent-free for five years, if we would relocate and take the technology that we have over there. We're still viewed by the world as cutting edge in this area, and that's something that really needs to be protected.

The jobs naturally are being created through innovation. They are the highest-paying jobs. The Americans have also recognized that this industry needs to be supported, as we can see through a Great Lakes group—I forget the actual name of the group now—that is trying to identify for the United States how to protect this industry. It's gone pretty much unnoticed because, as Dan said, these are shops that are on average around 20 people. In our peak four years ago we were up to just under 60 people. It's not earth-shaking or a size of company that really attracts a lot of attention, but there are so many of them. Over the last 100 years they've developed to a point where they really do create a lot of multiplication of jobs and they do create a lot of other opportunities and spin-off businesses. They're big spenders. They do a lot of investment in technology and work a lot with the universities and colleges in the area.

I think it's that innovation that everyone's identified that's going to make the difference with protecting jobs here and keeping the high-paying jobs in Canada. I think it really needs to be supported.

● (0925)

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

We will now go to questions from members. The first round will be six minutes for each member. Be aware that time is limited and try to keep your responses very brief. Also, a member may pose a question to one of you. If another one of you would like to respond as well, just please indicate it to me, and I'll ensure that you have the opportunity to do so.

We'll start with Mr. McTeague, for six minutes.

Hon. Dan McTeague (Pickering—Scarborough East, Lib.): Thank you, Chair.

Good morning, everyone. Thank you for having us here in the lovely town of Windsor. I have a connection with this place. My father went to Assumption University, so it's near and dear to my heart.

I know that we're here not only to deal with a very serious issue, but we're also here because we have a member of Parliament in the House of Commons who harangues us day in and day out on this committee on an auto policy. So we're here because Brian Masse forced us here. I know he's probably having a bit of a chuckle over that, but I can tell you that if automotive policy is something we have been looking at, it's certainly in concert with his initiatives. I guess his dedication to the issue can't be gainsaid.

I want to ask you this. In a world environment where products can be traded very quickly, where customers expect the lowest price and the highest quality, how much effort is given or can be given to recognizing the need to focus more on niche marketing?

Mr. Bernard, I take your point about your plant in fact closing, and it's extremely disheartening to hear. Only nine or ten months ago, things were doing extremely well, as some of the witnesses have just pointed out.

Mr. Persichilli, you suggested a possible angle with respect to subsidies. Can you expand on that?

• (0930)

Mr. Patrick Persichilli: Absolutely. Unfortunately, because of time constraints, I wasn't able to finish the address, but one of the things at Valiant that we recommend and are an advocate of is a shared-risk philosophy.

If you walk into any bank today or go to a bank manager or a CEO or VP of a bank and say you'd like \$100 million because you have a business plan and you're developing a new product, they're going to ask what industry you're from, and you're going to say manufacturing, that you support the auto industry. They're going to say, "Have a great day. Thanks for coming in."

One of the challenges that many companies—and it's not necessarily based on size—face today is the ability to generate the cashflow and the funding required to invest in innovation. We're not going to be able to outwork a country of a billion people, but we can outsmart them. By leveraging our strengths in research and development and in developments in innovation with the proper and required funding and infrastructure to support those initiatives, I think we'll be able to transform not only the MTDM sector but the manufacturing sector in general into a vehicle to make Canadian companies more competitive again.

When you're looking at labour- and capital-intensive industries like the MTDM sector, without backing or some type of security, perhaps run through a credit facility type of environment with the federal government... We're not asking for subsidies or handouts. This isn't corporate welfare; this is the shared risk concept of the government helping us to develop innovation, new products, so that you can get a return on your investment and so can we.

Hon. Dan McTeague: As an example of that, would you concur with others who have suggested that the innovation tax credit be strengthened and made more amenable?

Mr. Patrick Persichilli: Absolutely.

Hon. Dan McTeague: Okay, and would you also look at...? There may be much discussion this afternoon about potential tax cuts. Do they help your industry? Do they hurt your industry? Is it something you're looking for?

Mr. Patrick Persichilli: Tax cuts are great, but we'd rather develop and have a level of profitability. We don't have a level of profitability today.

Hon. Dan McTeague: Let me ask you, then, about training. Several people have suggested the need to have more flexible training at HRSDC. And this question is for all of you; I should open this up as well. This would require short-term involvement. What is it that HRSDC is doing that it could do better, in providing more flexible training to ensure that you have employees who are able to make the transitions in communities like this?

Perhaps that's for you, Mr. Parent.

Mr. Gary Parent: I think first of all you have to understand and get the people to the table to find out what their needs are, and I don't think there's been that push. I can remember years ago that at the time it was Herb Gray who was a sitting member in this community and he pulled together labour and also all the business heads with the chamber's involvement on trying to push forward what are the needs, what are the future needs, looking five years down the road even, what are your needs going to be. I don't think there's enough of that happening at this particular point in time, particularly in the Windsor and Essex County area.

I agree wholeheartedly that training is the aspect of the future. If we do not have the skilled workforce.... I think we pride ourselves in this community as having the skilled workforce, but it's always something that we have to challenge ourselves for in looking into the future and do more training to attack the future as it comes down our way, and to diversify if we have to in relationship, but never losing sight of what our base is, which is the auto industry.

• (0935)

Mr. Patrick Persichilli: I echo Mr. Parent's comments. One of the interesting things is, if you look at the 2005 APMA report, they identified not a lack of workers but a lack of workers with the right skills set and tools necessary to help us compete globally.

Valiant has just entered into an agreement with Sinclair Community College where we are looking at graduates right across the board in some of their technology-based disciplines, whether it's their mechanical, robotics, or mechatronics programs. We are willing to take on a number of these graduates, calling it a graduate studies or graduate experience-type program. What we're willing to do as an industry is hire these students on full-time, and full-time after they've completed an extra 600 or 800 hours of additional hands-on practical learning on our shop floors, plus an additional 20% to 30% instructional component as a shared cost between the college and Valiant. The goal at the end of the day is to turn out a graduate who can hit the ground running, has the skills set that we need, as I said earlier, to outsmart the emerging market countries we're competing against.

Hon. Dan McTeague: Thank you.

The Chair: Thank you, Mr. McTeague.

We'll go now to Mr. Crête.

[Translation]

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

[English]

The Chair: Use channel one for English.

[Translation]

Mr. Paul Crête: I would like each of you to imagine that you are the Minister of Industry Canada and tell me how you would qualify the current state of the manufacturing industry, more particularly in your region. Are we talking about a crisis or moderate turbulence? Is the Canadian economy healthy enough to get us through this difficult phase? If you were the Minister, what measure would you apply first and foremost?

● (0940)

[English]

The Chair: Mr. Bernard.

Mr. Ed Bernard: I'd be happy to start.

Echoing the comments that have been made, the financing is a tremendous challenge.

I'm using the adjective "tremendous"; you were asking if this is a crisis. This is definitely a crisis. It's not a typical downswing; this is not a pattern that's been repeated previously, such that we can predict how we're going to come out of it. This is definitely a crisis situation, and we stand to lose our manufacturing prowess if we don't deal with it in a very quick manner.

What can be done? We use the banks, as has been said, to finance doing business. The debt-to-equity ratios, the different covenants were held to, are impossible for us to satisfy with the demands our customers are putting on us. The level playing field is not something we expect the government to be able to straighten out for us, but we expect it rather to assist us in straightening out ourselves.

We are being asked.... In fact, this is one of the reasons why Bernard Mould, although we were prospering and were turning a profit, could not go on financing the large automotive companies. We had a large Magna program that we had just landed. Payment was based on 45 days after PPAP—you've heard the term PPAP, production part approval process—and PPAP was scheduled to occur next April 8, which means that sometime in the middle of June we would be getting paid, if we got paid on time.

This means that our first tryouts on these tools were to be in the middle of December—next month, a month from now—and then we'd be carrying that financing cost for a year and a half. That's impossible for a company that's only doing between \$5 million and \$10 million a year in sales.

If the banks could somehow be guaranteed by the government—and EDC comes very close to being able to do it, but it's still not good enough in meeting the covenant—if there were some way the government could assure the banks that the manufacturing companies could work with different debt-to-equity ratios or different financing, that would work.

The Chair: Okay.

Monsieur Crête.

[Translation]

Mr. Paul Crête: I would like to hear from the other three Ministers of Industry.

[English]

Mr. Dan Moynahan: The problem we find ourselves in today, I believe, is a short-term problem. We're looking for short-term relief for the automotive industries. They are heading to China. That's where they see their growth markets. The tier ones are instructing us, the tool, mould, and die industry, that 30% of all tools are to be built in low-cost countries over the next year.

The reason for that is they want us to give them all the technology we have. That technology was developed over many years and as a result of the Canadian R and D facility we have, and that is paid for with taxpayers' dollars.

I don't agree with taking our technology and just giving it away to these people. We must stand up and fight and keep that work here in Canada.

The Chair: Mr. Parent; then we'll go to Mr. Persichilli.

Mr. Gary Parent: Thank you very much.

First of all, yes, we are in crisis in Windsor and Essex County. There's no question about it. As I stated earlier, with just that one local union representing Ford workers facing the potential loss of 2,200 jobs within the next year, I would dare say it is a crisis. Not only are those jobs going to be lost to this community and to this country; there's also going to be a spin-off effect down to the mould shops and to the other parts plants that will also affect that industry.

How do you fix it? You have to level the playing field, as I said earlier. If it's good for Chinese workers, Korean workers, Japanese workers to be protected by their governments, why is it not correct to protect the Canadian auto workers and the manufacturing sector jobs as well? Why is it okay for us to export all our expertise over there, when they're allowed to ship back those products because of the expertise we're sending over there?

Thus comes the absolute need for an auto policy that's going to put in protection for Canadian jobs. That is lacking, and has been lacking on the federal level, for far too long.

So I share our MP for Windsor West's passion in the House of Commons when he's trying to get this committee and the federal government to understand what the need is.

I know that in the province of Quebec, as an example, when we lost that Sainte-Thérèse plant, it had a tremendous effect on the General Motors' side in relation to that particular province, as far as being competitive in relationship to auto jobs was concerned. It's an absolute necessity that we level the playing field and put in an auto policy that's going to protect Canadian jobs, as our offshore competitors are protecting theirs.

The Chair: Thank you.

We'll go to Mr. Persichilli.

Mr. Patrick Persichilli: I'll be brief on this one. I'm not sure if "crisis" is a strong enough word to describe the state of the manufacturing sector, not only in this province but in this country. It's a myth that this is a cyclical-type downturn. It's a structural problem, and this is something that I think needs to fundamentally be addressed.

There are three things, and I'll reiterate what I've already said. We're not looking for handouts. We're not looking for the government to fund a corporate welfare system. We're looking for the government to step in as a partner and share the risk with us financially as an investment vehicle to help us not only in manufacturing but in automotive, the MTDM sector, and the manufacturing industry in Canada in general. We need to invest more in R and D to leverage our strengths. That will help us create those niche high-performance products that we need to compete globally.

Again, Gary has talked a lot about training. Training's critical. We need an abundance of highly skilled people with the tools in their toolboxes who will help us to compete globally.

● (0945)

The Chair: Thank you.

Thank you, Monsieur Crête.

We'll go to Mr. Carrie now, for six minutes.

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

I'd like to thank all the witnesses for coming here today.

I represent Oshawa, which has a huge automotive industry. I definitely see the challenges. Another one of your representatives, Jeff Watson, actually chairs our auto caucus. We're very much involved in looking at this industry and the challenges that are facing it.

As we've travelled across Canada so far, we've heard a number of consistent things coming forward. There was something brought up today, though, by Mr. Bernard and Mr. Moynahan, which is something a little different from what we've heard up until now. I was wondering if I could ask you to expand a little bit more on this. It's something I've heard in the past. It's about the financing that businesses have to do for other companies out there. I've had the opportunity of speaking to an aluminum window manufacturer and he told me how he would build it, ship it, and all the costs he would put into that for the research, everything, and he would be financing for 90 days and sometimes he wouldn't get paid. The law is you have to put a lien between 45 days—

I was wondering if you could talk a little bit more about how government could help that, or any ideas you have as far as helping the finances with small businesses so that this isn't such a big challenge, including the ideas of these liens, the GST, how you do business. You mentioned that, Mr. Bernard. Could you expand, both of you, those concepts you brought up today?

Mr. Ed Bernard: Sure. There's no lien law in Ontario that we're aware of, and we have done research, that provides us with security protection unless we get our customer to agree to signing the lien. So we're somewhat limited there.

EDC has again—and EDC is a fantastic tool—been very careful not to step on the toes of the banks they work so closely with. EDC insures our receivables only for exports, and anything that's considered automotive they can't insure. They can't actually, or they haven't been able to, fund us to build these projects. It's very common, and Dan will agree to this, I'm sure, to see the vehicles on the road. You can go down to the dealership and buy the vehicle that has the parts made from our tools in it, but we still haven't received a penny for the design of the tools or for the R and D that's gone into them.

The concept is good. PPAP stands for production part approval process, and the idea is that the tool has to be verified in the production environment, not in some super machine that we have here in Windsor that we can make good parts from it, but a machine in the OEM or the tier one's plant can produce production quality parts. So that's a good concept. The moulders and the tier ones have dragged it out then, so that they can postpone PPAP. Parts are being made, parts are going on cars, cars are rolling off the production lines, cars are in the dealership parking lots for sale, and we still haven't been paid, because PPAP hasn't occurred. It's a way for them to extract financing from us.

Mr. Colin Carrie: When I found out that this was going on, I was amazed. I don't know how you do business.

Could you expand a little bit more on what you were saying, Mr. Moynahan?

Mr. Dan Moynahan: We compete with about the same sized shops, and it's true, we're the banks. The people that can least afford it are forced to be the banks for the big three and the tier ones. If you really look back and analyze it, up until about five years ago we used to build prototype moulds, and then if you built the prototype mould, chances were you'd build the production moulds later for the vehicles. With technology and the computers today, there are very few prototype tools that are built. What they've done is move the production tools ahead and at the same time they're making us finance them. They're saying if you want to do this business, you're going to get paid in 18 months.

Ed mentioned EDC. I do have Canadian customers who are EDC-insured up in Belleville. You have to maintain a certain portion or ratio that has to be exports to domestic. We need more programs like EDC. Those are the things that are helping us get by, but the margins are tight. Nobody is making money in this town, and jobs are being lost.

● (0950)

Mr. Colin Carrie: Is it something that all the companies are doing, or just specific ones? Is this the status quo—this is how the business is run?

Mr. Ed Bernard: Even the non-automotive customers have learned now. Engineers from moulders that do custom moulding for tier ones or for automotive plants move to the Rubbermaids of the world or the Scotts in Ohio. And now Temecula, California, which we used to build for, is exercising PPAP as well. Why should they pay within 60 days of delivering the tool if their counterparts in the automotive industry are getting away with it? This is now something that's beginning to spread out of automotive.

Yet if we purchase a tool in China, which we've been forced to do by our customers as well, as Dan was saying, you have to pay 100% before it leaves China. We're now being used to make it possible for them to buy the cheaper tools offshore that are putting our people out of business. It's absolutely ludicrous.

Mr. Colin Carrie: Do you have a comment, Patrick?

Mr. Patrick Persichilli: I would echo the same thing that Ed and Dan have both said. It's the proverbial squeeze play. This isn't something that's new. I come to the MTDM sector from one of the big three. It's always been a way for us to push back on our supply base. If you look at the dynamics of global programs right now coming into shops like Dan's and Ed's, there is an emerging market component on most vehicle programs. Ford, GM, and Daimler-Chrysler are pushing out the supply base that is requiring them to invest or have sourcing of 5% to 10% in emerging markets.

These gentlemen and my company as well are trying to put together programs, products, and services in very tight financial circumstances, or we can't gain financing to fund our projects. We know we're not going to get paid 18 to 24 months out and we're being forced to lay our people off because our customers want us to buy parts, machines, equipment, and tools from emerging market sources.

The Chair: Mr. Carrie, I'm sorry, we're out of time.

Mr. Colin Carrie: Perhaps they could write some solutions down and present them to the committee. That would be great.

The Chair: Mr. Carrie is right. I know you have presentations that we're having translated, and all committee members will get them. Specifically on that point, if you want to submit something, not only in terms of what actually occurs now, but in terms of how EDC could perhaps be expanded to deal with this, or if another financing model is required, you may want to suggest that as well.

We do have to move to Mr. Masse now. Mr. Masse, you have six minutes.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair.

Thank you to the committee and also to our guests here this morning.

I'll be quick, because I don't have much time. I first want to publicly acknowledge Mr. Bernard. During his difficult times he was part of an effort that commemorated our Dieppe soldiers by a new monument in Dieppe and should be recognized for that effort during his difficult times. It's a beautiful obelisk that now stands for perpetuity.

I know I won't get all my questions in, but I would ask the committee's indulgence to ask Mr. Mike Vince to be able to come to the table here. I think one of the myths we've heard is that labour does not come to the table and work with industry. I think Mr. Vince can illustrate some of the things he has done with his employees to bring new work to this country on the challenges facing us. If that would be appropriate, I would certainly ask if Mr. Vince could provide testimony.

The Chair: We have been given notice. It's Mr. Mike Vince, president of Local 200, the Canadian Auto Workers Union?

Mr. Brian Masse: Yes, Local 200.

The Chair: We have a name tag for him.

Mr. Vince.

Mr. Mike Vince (President, CAW-Canada): Thank you for the opportunity, and especially on short notice.

One of the things that is a myth and I think is important for this committee to understand.... We understand it's a global market and there is competitiveness within the industries, but when it comes to change, we understand that there's a need for change.

In the packets I gave out earlier I give a very brief history, going back to 1981, coming out of the 1979-80 recession. Where did Ford Motor Company come to? They came back to Windsor, because of the highly skilled, dedicated workforce within Windsor, Essex County, and Chatham-Kent.

We ended up putting new buildings into place under modern operating agreements with flexible work rules. We did that through the early eighties and into the nineties. Again we were able to achieve the Windsor engine plant and annex, which produces the Triton engine for the F-150, the top-selling pickup truck in North America.

Then just recently we were able to put together an agreement with one of our companies. We have two Nemark plants that are joint ventures. We were able to secure in that facility a General Motors block, which was highly unique, because those facilities were all Ford and still are Ford-owned, and the employees are paid by Ford.

If we look back at the history, as Mr. Bernard mentioned, just a short three years ago we had 6,200 people working at Ford in Windsor. We are presently at 3,800. By this time next year we will have lost another 2,200 people.

The spin-off effect within this community is approximately one in seven. The business community looks and sees what's happening within the community. It's so far-reaching that in this community right now there are somewhere in the neighbourhood of eight or nine restaurants for sale. It is not only the auto and auto parts sector; it's all the businesses within this community.

I think it is really important, and the one thing we did that's shown in the packets is hold a town hall meeting to try to bring the entire community together, to take partisan politics out of it and to really talk about what this community and this region are going to look like a couple of years down the road.

As Mr. Persichilli said, it is more than just a crisis. I think Canada is at war when it comes to the auto industry, and we're losing. We need to ensure that we have all levels of government looking after their constituents in Canada.

● (0955)

The Chair: Mr. Masse.

Mr. Brian Masse: Mr. Moynahan, as well as manufacturing there is also the issue of national security. If we lose all our capability to manufacture, assemble, and also create moulds and other designs that are necessary for industrialization, we'll be at risk.

Can you provide an example of what we would lose if we didn't have the capability and lost all our tool and die in the future?

Mr. Dan Moynahan: This sector has numerous spin-off jobs also. It is just the same as the big three.

The thing is, we're going to give these people who have the advantage.... They have one advantage: they have low-cost labour. As far as quality goes, their quality does not match North America's. As far as their deliveries go, we can deliver as fast, if not faster, and our costs for freight are a lot cheaper. So they have one advantage on us.

The thing is, we have to continue to train and we have to continue to develop with the new technologies and invest in the new technologies. It is one thing to have the technology, but you have to have skilled people to use it. That's where we'll be separated from the low-cost countries, because they just use numbers of people and work them around the clock 24 hours a day.

It's pretty hard to compete with that. We don't have enough people, and people in Canada deserve and earn a good living.

Mr. Brian Masse: Is there any time left?

The Chair: Well, you're at six minutes, but everybody else took seven.

Mr. Brian Masse: Thank you, Mr. Chair.

Hon. Dan McTeague: On a point of order, I realize the questions that are being asked are very important, and I appreciate what Mr. Vince has given us here. We may have time for a few more minutes at the end for ours, but we'd be quite willing, with the consent of the committee, to allow the three or four minutes we might get at the end to go to Mr. Masse. I know there are some very important issues I want him to bring up—of course, with your consent, Mr. Chair.

The Chair: Well, the Liberal Party has the next spot.

Hon. Dan McTeague: We'd cede that to Mr. Masse.

The Chair: Mr. Masse will have the next five minutes as well.

• (1000)

Hon. Dan McTeague: If you wish it.

Mr. Brian Masse: Thank you. That's very generous.

The Chair: Is there consent for that? Okay.

You have another five minutes, Mr. Masse.

Mr. Brian Masse: Great. Thank you, Mr. Chair, and thank you, Dan and Susan, for allowing this.

Mr. Persichilli, I know you've been involved in St. Clair College and the University of Windsor with a number of different research and training projects. Can you elaborate on some of those things?

One of the things I'm concerned about is that our young people coming up—and we've heard this from other testimony—might be dissuaded from going into this industry to get training because they don't feel there are going to be jobs at the end of their training through education criteria afterwards. Can you tell us what's happening in your business that is new and exciting and can actually be prosperous?

Mr. Patrick Persichilli: Absolutely.

Brian, you're right, I think it's becoming increasingly more of a hard sell to convince young people to enter the skilled trades, because there is a perception, and it's a correct perception, that it's a

dying industry. Why become a machinist or a tool apprentice if the tooling industry or machine jobs won't exist ten years from now? The view is it would be a waste of their time and they're better off looking at other areas for them to find gainful employment.

One of the ways we think we could change that perspective, which would help us tremendously in terms of becoming more competitive globally, and I keep going back to this, is again through innovation and research. One of the impacts or effects of additional research and development, the development of innovation in terms of niche product development, is the creation of a different type of manufacturing economy.

One of the inadequacies that we see right now at the university level, our main vehicle for research in this country, is the fact that most research endeavours, such as a centre of excellence, even something like the MMO, are all driven by curiosity-based research. It's pure apply-type research. We need to focus more on a commercialization strategy where we are looking at developing innovations that we can bring to market. Every day Canada falls significantly farther behind countries like Germany, China, and India, where they focus their research efforts specifically on developing products that are new, innovative, and that can be brought to the global marketplace. That would help us attract young people into niche employment sectors because we will have niche products that are able to compete globally.

I can give you an example. Right now we are looking at a research opportunity with a university, and this particular university has just informed us that they're not interested. Why? Because it doesn't fit the academic or pure research criteria. However, there's a tremendous opportunity for global commercialization. It's a small investment but with incredibly high returns. What does that communicate to industry? That our infrastructure is not capable or supportive of what we need to do to create jobs, improve our economy, and make sure that young people have and can get the tools necessary to help us compete.

Mr. Brian Masse: Mr. Moynahan.

Mr. Dan Moynahan: I'd just like to expand on that a little.

Where our company and I personally have put our focus is we're all the way down to the grade school level now. We're down giving tours to the kids in grades 7 and 8, showing them the technologies.

One of the problems we face is with the parents and even guidance counsellors, for that matter. Three months ago I had three buses full of guidance counsellors come through my shop, and they were completely amazed at what we had and how the people worked: people don't sweat; our plants are air-conditioned. You have the old stigma that these are sweat shops and everything else, and nothing could be further from the truth.

We approach it with the young people, trying to encourage them and letting them know what's there, that these jobs are available. We don't wait until they get all the way through high school and are looking to graduate in grade 12. With the Ontario youth apprenticeship program, we even hire these kids while they're in grade 11 and they earn wages as well as time towards their apprenticeships.

Mr. Brian Masse: Excellent.

Go ahead, Gary.

Mr. Gary Parent: I emphasized this in some of my previous remarks, but I want to do it again. When we're talking about training, we're talking about education. As a share of GDP, education budgets in Canada are lower today than they were in 1999, and 20% lower when you compare them to 1993 levels. How in the heck are we going to compete globally at the same time that our governments are not allowing funding for an education system that has to be as competitive as what we're competing with?

If you look at the countries we're competing with, they absolutely spend more money out of their GDP on education than we do today. I think that's an important fact that sometimes gets overlooked when we're looking at setting up budgets federally or provincially. I think that's an absolute detriment to us as a result.

•(1005)

The Chair: Okay.

We're well over time, Mr. Masse.

Mr. Brian Masse: Thank you, Mr. Chair.

The Chair: Thank you.

We'll go to Mr. Shipley.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you, Mr. Chairman, and also thanks to the panel for coming in.

I just want to go back to the educational part, because I get the feeling we're a little concerned about not having enough skilled trades. That came from Mr. Bernard. Then we hear a mixed message, in a way—why are we doing these if we aren't going to have a manufacturing industry? I'd like to get your comments in terms of Canada and an attitude towards manufacturing in this country. I'd like to have that component of it.

Talk to me a bit also about the image. I know you've touched on it. Mr. Persichilli, I think what you have done in terms of working with a college is what is needed. We heard that last night, actually; I think it was in Toronto.

There seems to be this disconnect. We've talked about the disconnect between education and what is actually needed in the industry; I understand the cut in dollars, but let's take the dollars and make the best use of them. Can I get some comment on those two issues, please, about the image? How can we change that?

I think what I'm hearing and what we also heard last night is you're starting now at grade school. I think it's likely that part of it is not just the child, but the parents. What we've seen over the last few days is not the perception that most people will leave in industry; these places are much more like hospitals than like the old-style shops that we would have in our mind about manufacturing. I ask that of two or three of you.

Mr. Patrick Persichilli: I'll quickly address both aspects.

Image—it's almost become a cliché. If you walk down Ouellette Avenue, walk into any corner of this region in Windsor or in Essex County, there are businesses for sale, there are people out of work, there are families hurting. How do you change the image? You grow the industry.

When I say cliché, all we have to do is look across the border to Flint, Michigan. That has become clichéd, because Flint, Michigan,

which was a growing economy, full of life, vibrant, and an economic centre, was destroyed because manufacturing was forced to move out. That is not a far-fetched scenario here in Windsor and in Essex County and in many other places in this province.

How do you change that image? You grow the business. You continue to reinvest. You create jobs. You work with your partners—CAW, your suppliers, and your entire value stream. It requires investment to create jobs. The image needs to be changed, because if we're going to attract young people, we need to have an industry to attract them to. Unless we invest in that industry so that it exists in the long term, we can forget about investing in any type of educational program.

Mr. Bev Shipley: But the industry was down and then came back in the 1970s and 1980s—

Mr. Patrick Persichilli: This isn't cyclical; this is structural. This is the myth that all of us in this room need to get a clear understanding of today. This is not a cyclical problem; it's a fundamental structural issue that is driven by a changing global economic landscape. The 1980s and the early 1990s are not what we're experiencing today.

Mr. Bev Shipley: Thank you.

Can I go to the 18-month issue? I think that's likely caught most of us.

It's the auto parts people that you're supplying to who are putting the squeeze on you, basically. They take many things out of it. How do you compete with that? Is there something beyond...?

I'm looking for some direction. You don't have lien protection. Are there other countries, or...? What does the United States do? I am told 85% of our automobiles go over there, so that's our largest trading partner. What happens over there, for example?

•(1010)

The Chair: We'll hear from Mr. Moynahan, and then Mr. Bernard.

Mr. Dan Moynahan: EDC plays a huge role in our exports by helping us cover our receivables. But again, we're still financing this for 18 months.

Actually, this 18-month PPAP was begun, to my recollection, by one tool shop in this city that was trying to put up some huge numbers. Because they wanted to get the huge numbers, they would say, "You don't have to pay us for 18 months." Once they got a flavour for this, they just continued it. That same shop is in great difficulty today.

The 18 months is something the banks have to learn to deal with. The banks will only take so much risk. They'll share the risk, but it has to be shared even more by the banks. The banks only do things when they're completely secure and have no risk at all.

Mr. Bev Shipley: What is your industry—

The Chair: I'm sorry, but Mr. Bernard wanted to make a statement as well, and actually, we're over time.

Mr. Ed Bernard: As is shocking to everyone in this room, the decisions are not made in the local banks here in Windsor any more about how our accounts are allowed to function. When these issues go up to Toronto, to the banking credit managers there, they just shake their heads and ask us, "Are you guys nuts?" But we really don't have a choice about this, because we're being pitted against each other by our customers: "Well, Dan's shop is doing it. If you want to be a player, if you want to quote, you have to do this." We're also being told that if we want to quote on a domestic job, we have to provide them with quotes from LCC—"low-cost country"—content. We have to get for them Chinese quotes that compete with our own quotes, in order to have them take a look at our quotes.

The Chair: Thank you, Mr. Shipley.

Our final questioner will be Monsieur Vincent.

[*Translation*]

Mr. Robert Vincent (Shefford, BQ): Thank you.

I think we have a serious problem and, in trying to solve it, we have created others. I will give you some examples.

The government pays for missions to China, in which Canadian industries participate. We are trying to understand how these industries can make more money by having their products manufactured in China, which means that they have to give up part of their market to that country. This is the first problem.

Moreover, in my opinion, the automobile pact with Korea will not be beneficial to subcontractors.

In addition, as Mr. Persichilli said earlier, we are now talking about tax credits. However, we will have to start making money and paying taxes to make it worthwhile. If we fail to make any money, we do not pay taxes. Therefore, tax credits are useless.

We are also talking about innovation. Within a year or two, this word will be overworked. It is used for any circumstance.

Lastly, with regard to intellectual property, when new discoveries are made, it takes so long to secure protection those other countries and individuals, even here in Ontario, can copy the new product. We would have to get to the root of the problem, I guess.

I am asking you the following question. How could we get to the root of the problem in order to get out of this crisis? We have to admit it: the industry is in a crisis and it is not a superficial crisis. It is really a deep crisis. Earlier on, we were talking about education. Even with all the education in the world, if the fundamental problems are not solved, we will not succeed.

What can we do to, at the very least, stabilize the crisis and then find a way out? This is what I want to know from you.

[*English*]

The Chair: Who would like to start here? Mr. Bernard?

Mr. Ed Bernard: We've registered in the last five years five patents, and we're named as co-inventors on numerous patents with our customers. We're supposed to have intellectual property protection through copyright of our designs, but our customers, great Canadian companies like Magna International, take our designs and give them to our competitors in South Korea and China and ask

them if they can build our designs cheaper. So you're right; there are costs we're incurring for which there is no recovery and from which we cannot profit.

Again, this is something we have to become organized over, to protect this intellectual property. If we think innovation is the solution but cannot protect what that innovation gives us, then we have no solution.

•(1015)

The Chair: Mr. Parent.

Mr. Gary Parent: I think it's not only the governments that are funding, as the example was raised on the Chinese, it's also corporations. They're garnering the profits that are made in North America—the U.S. and Canada—and they're investing heavily in China. Don't forget, India is in the wings waiting and Korea is already making some things. A lot of our profits that are generated in North America are being obviously invested offshore, and that's where the governments have to come into play. That's where the protection.... They're only investing in China today because the government is forcing them to invest in China.

We need the governments of the day, both in the United States and in Canada.... And I want to just issue one warning to the committee, if I can: look out that window and look across that river, and be careful when we're talking about protectionism, because all the United States has to do is issue protectionism on their particular market and Canada is going to be isolated from their market as well. You're absolutely right—80% of the vehicles that are produced in Canada are shipped to the United States—and we have to be careful in what we're doing, absolutely, but we also have to join with the United States possibly and garner some protection for Canadian and U.S. auto workers and manufacturers. It's our innovation and our expertise that's being exported. Our brains are being exported offshore, and we have to come to grips with that as a country, as a region, both in the United States, Canada, and even Mexico.

Remember our fear in 1988 when we negotiated the U.S.-Canada Free Trade Agreement and then expanded it to NAFTA and Mexico? Our fear was Mexico, and now Mexico is not even in existence, per se. It's China and India and Korea waiting there, and we have to have the protection of this government and the United States government for auto workers and manufacturing or we're going to be lost in the globalization of this world.

Free trade is good, but fair trade is better. Pardon me. Free trade is not good. Fair trade is better. Pardon me. Misquote. Misquote.

The Chair: You're on the record.

Mr. Gary Parent: I hope the other is too, that I misquoted.

The Chair: It will be, yes.

Mr. Gary Parent: Fair trade has to be paramount when we're talking about protection for our manufacturing industry. What kind of society do we want in North America? Do we want a call centre mentality, or do we want manufacturing that gives good-paying jobs? The auto industry is the economic engine of this country. People in this country have to understand that, and we have to do everything we can to protect it, as a government, as a society. Unless we do that, our manufacturing industry in Canada—complete—is going to be jeopardized, because the people who are sitting at this table, their jobs and their plants are going to be exported offshore and we're not going to have a society that we all want.

The Chair: Thank you.

We're well over six minutes.

Thank you very much. I think that was a good note to end on. Thank you very much for your words, for your time here today. We certainly appreciate that.

We will have your submissions translated, and if any of you have any further recommendations to make to the committee, please do so and we will ensure that we get it in the report to be presented in mid-December.

We will suspend for a couple of minutes to have the next group of witnesses come forward to the table, but thank you very much for your time today.

- _____ (Pause) _____
-
- (1025)

The Chair: We'll resume sitting. We have our second session, which is scheduled to go until 11:30. I suspect we may go a few minutes later, if that's okay.

We have four witnesses with us. We are limited to an hour and fifteen minutes, so we have a very short time.

We have Mr. Mike Hicks, North American sales manager, president of the Canadian Association of MoldMakers, Incorporated, from DMS Corporation. Welcome.

We have Mr. Ed Kanters, the chief financial officer for Accucaps Industries Limited. Welcome, Mr. Kanters.

We have Mr. Peter—

- (1030)

Mr. Peter Hrastovec (Chair of the Board, Windsor and District Chamber of Commerce): Hrastovec.

The Chair: Peter Hrastovec, chair of the board, Windsor and District Chamber of Commerce. Welcome.

And we have Mr. Bill Storey, partner and director, MidWest Precision Mould Limited. Welcome.

We'll go exactly in that order. You have up to five minutes each, and then we'll go immediately into questions from members.

Mr. Hicks.

Mr. Mike Hicks (North American Sales Manager, DMS Corporation; President, Canadian Association of MoldMakers):

I want to thank everybody for having this today. I didn't want to hear the first part of this, because I have my own thing to say, but without manufacturing in Canada, we're nothing, so we support all manufacturing. I am here today representing the mouldmaking interest in this community, but again, we support all manufacturing.

I want to start out by saying that we've always enjoyed the long-standing relationship with all levels of government. Our group has always embraced working with the government. We've had some really quality people. I can't say enough good things in that regard; we've had a good relationship with the government.

I want to start out by saying, too, that I have three things to say. I want to talk about the challenges, but I also want assurances from the government that they are going to continue to work with us. I'm not totally sold on that. Also, I have some solutions, and hopefully this fact will be brought out in the question and answer period.

Our shops employ, as you've probably heard earlier, a highly skilled workforce, and we continually work with post-secondary institutions like Sinclair College and the University of Windsor. Our CAMM office is also located in the Ford Centre of Excellence, and we thank you for your contribution to the Ford Centre of Excellence. We have worked together with those institutions; we have continuous tours at the University of Windsor; we work with the engineering department; we go to the research area; we have our meetings sometimes at Sinclair College.

Our companies, as you heard earlier, work with the OYAP program. They also work with the Moulding Youth for Industry program. Our shops employ different levels of skills. These are world-class skills. The moulding of youth program is also a great program. It gives people a second opportunity in life if they fall through the cracks. It gives them a second opportunity to better themselves.

Also, the mouldmaking industry is vital to this area. It provides many spinoff jobs. Any of our mould shops deals with accounting firms, with law firms, with steel suppliers, and machinery people. The spinoff jobs are tremendous. That is something you really have to keep in mind.

Our mould shops are huge supporters in this community, too; they give back. You probably heard from the CAW; they give back to this community. Our mould shops also give back, in quiet ways. I don't want to name-drop, but you've probably heard of Tony Toldo in this area. He's one of our really prominent mould makers; he's given back to this community. So they also give back to our community.

Our shops are also large exporters to the United States, and with their proximity, obviously, here to Windsor and our cultural similarities, it makes a good trading partner for us.

Most of our shops are using advanced technology, and we're continuously upgrading our systems and that type of thing. You've heard that we're constantly upgrading our shops. Our shopowners and our managers are resilient.

You were alluding earlier to our having been through some problems and their having self-corrected. I really thought some of our problems would self-correct. I've written articles for papers and so on. I don't have all the answers, but I've been in this trade for 25 years and I've seen a lot. I thought some of these problems would correct themselves, but they're not doing so, and that's why I'm glad we're here today.

Among the challenges facing our industry—again, you've probably heard them—are border issues, our exchange fluctuations, cash flow problems—and you've heard that—bankruptcies of our OEMs, rising commodity prices, a shortage of skilled help—and that still is an issue for us.

But you're going to hear more in depth from some of my colleagues, probably, and you've already heard it: the offshore competition is just tremendous. That's the area that I felt would self-correct; that the old “you get what you pay for” type of thing would sort of work itself out, and all the problems that go with it.

However, for some countries—you've heard China mentioned—there's an ITC investigation. There's a website; it's USITC.gov, if you want to put that down for the record. I have a hard copy with me. I'm not going to show it today, because I know there are rules here, but the work has already been done for you. They've examined the toolmaking industry throughout the world.

In 2002 the U.S. government was looking within themselves, because they're faced with the same challenges. They did a study. They deemed Canada's only advantage was the exchange rate. They know we have quality shops here. They deemed us as fair competitors. I know Mr. Parent was mentioning protectionism and so on, but the U.S. government has recognized the toolmakers in Canada to be fair competitors to them, and again, the exchange rate corrects itself.

So the studies have already been done. They've done China, they've done Taiwan, Korea, the United States toolmaking market. It's all there. There are statistics. There are also statistics from Windsor and the shops here and so forth. Again, I have a copy of that.

•(1035)

Things that are happening in China—we'll elaborate later, I'm sure—are that they're receiving tax funds, cash grants, preferential loans, violating WTO, and so on and so forth. On competitive conditions in the United States, that's part of the USITC. Hard copy is available again from me.

I do want to mention one thing that we were against. Last year the Canadian government hosted a Korean trade delegation. They invited South Korean toolmakers to Toronto and there was an airport hotel at which they met with our Canadian OEMs. That's one of the reasons that I'm not totally sold on this. And I don't know if the Canadian government agenda is to create more free-trading partners, hopefully not sacrificing our industry. The second thing is, I know you're trying to create more commodities markets, so hopefully you're not going to sacrifice on manufacturing.

I have a couple of solutions—

The Chair: We're over time here, Mr. Hicks.

Mr. Mike Hicks: Okay. Hopefully we'll get to the solutions during the question-and-answer period.

The Chair: Absolutely.

Thank you very much for that. And I just want to point out that with respect to the report you mentioned, if you can get it to Mr. Latimer, the clerk, after the meeting, he will ensure that all members get it.

Mr. Mike Hicks: Thank you very much.

The Chair: Thank you.

We'll go right away to Mr. Kanters, please.

Mr. Ed Kanters (Chief Financial Officer, Accucaps Industries Limited): First of all, I'd like to thank the House of Commons Standing Committee on Industry, Science and Technology for including Windsor as one of the cities to hold hearings in. It's important that Windsor's voice be heard, as we are a centre of manufacturing in Canada.

My name is Ed Kanters. I'm the chief financial officer of Accucaps Industries Limited. Accucaps is a full-service contract manufacturer that supplies soft gel capsules to a variety of customers in the pharmaceutical, over-the-counter drug, and health and nutritional industries. We have three plants in Ontario and we employ in the neighbourhood of 750 people across those three plants.

A significant issue facing our organization is the difficulty we have shipping our products across the border, here and the Windsor-Detroit crossing. We all know the world changed with September 11. Any Canadian organization that wants to export to the U.S. must be prepared to work within the rules and regulations that exist. The challenge we face is that the landscape continues to change. There are regular changes in customs regulations and procedures that can, at any point in time, significantly delay scheduled shipments across the border. Other agencies, such as the USDA, place complicated permitting and certification requirements on products that can act as non-tariff barriers to trade. Slowdowns at the border and regulatory issues can create the perception with our U.S. customers that it's becoming difficult to deal with a Canadian supplier.

To deal with this risk to our business, we have invested in infrastructure so that the impact on the customers is as transparent as possible, but we need support from our government agencies to address these issues and facilitate the smoother movement of product across the border.

Currency issues have also impacted our business significantly. The instability over the last four years and a steady strengthening of the Canadian dollar has put significant pressure on organizations such as ours. We understand that market forces drive currency over the long run, but fiscal and monetary policy domestically can help to smooth the nature of the currency swings. It adds a level of complexity and risk to organizations such as ours to react to sharp swings in currency value in a short period of time. Continued attention towards keeping our fiscal house in order as a country will help to keep our currency stable and mitigate an element of risk that we must deal with in our businesses.

A third challenge we face is funding the research and development required to develop new products and processes. Research and development has been mentioned by a number of my colleagues on the automotive side of things, but it's important across all sectors of industry. Canadian industries that wish to stay competitive on an international basis must do this investment in research and development. To compete effectively against products from parts of the world with much lower labour costs than ours, we need to be innovative in developing a steady stream of new products and new processes to manufacture those products. The SR&ED program is definitely helpful in supporting this, but this is an area where more is needed if we wish to stay competitive and keep an edge, particularly in our industry.

I wanted to keep things very brief, so I tried to stick to my notes exactly. Thank you for your attention.

•(1040)

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

We'll now go to Mr. Hrastovec.

Mr. Peter Hrastovec: Thank you very much.

Good morning, Mr. Chairman and members of the committee.

My name is Peter Hrastovec. I'm chair of the board of directors for the Windsor and District Chamber of Commerce. I'm accompanied today by our president and CEO, Linda Smith; board member Jim Drummond; and policy advisor Igor Siljanoski. Our industry and manufacturing spokesman, Guy Diponio, had to leave on business. He was here earlier today.

The Chamber of Commerce is pleased that the industry, science, and technology committee has taken the time to examine the challenges to our manufacturing sector. We represent 1,400 businesses and employers and over 80,000 employees in this region. Our members expect the government to send a positive signal to investors that Canada is open for business in order to encourage investment in manufacturing in our region.

In order to maintain its place among the G-7 countries, Canada must not take our manufacturing sector for granted and must focus on keeping the industry alive and well. The manufacturing sector in Windsor and Essex County is currently facing a number of challenges, including the high value of the Canadian dollar; competition from low-cost producers like China and India, as you've heard; rising global input costs; skilled-labour shortages; and this, most importantly: inadequate border infrastructure in our region.

In Windsor alone, the manufacturing sector represents 37% of our GDP, compared to 17% nationally. It represents 35% of our total employment, compared to 15% nationally. The unemployment rate in Windsor and Essex County reached 8.8% in October—I suspect it's somewhat higher these days—compared to 6.9% for Ontario and 6.5% for all of Canada.

To improve the conditions for manufacturers in our region, the chamber and its members would like to recommend measures in a number of areas. In the area of corporate taxation, the government must shorten the implementation period for providing tax relief to

businesses. The government can allocate funding for corporate tax reduction by using the federal budget surplus.

The government must address personal income taxation. The chamber believes that the top marginal income tax threshold should be raised from the current \$118,285 range to \$150,000 to attract and retain highly skilled and productive human capital. Lower personal tax rates also attract and keep entrepreneurs in Canada.

The government can boost productivity by promoting incentives to work, save, and invest. The focus should be placed on investing in productivity-enhancing areas such as education, skills training, and research. It is our recommendation that the government commit to their plan, lower the federal corporate tax rate, and improve the SR&ED tax credit system, expanding the same to include international research.

The chamber also urges the federal government to permit the writeoff of investment in new manufacturing, processing, and associated technologies over a period of over two years.

To save manufacturing jobs, the federal government should develop a formal system for transferring losses between members of the same corporate group within common ownership.

The chamber has also been the voice for expanding free and fair trade. Non-tariff trade barriers must be addressed when entering into any free trade negotiations with any country, especially if our treaty relationship is not on an equal footing. We've seen and heard examples of that today. Because we increasingly operate in a global marketplace, the government should examine transfer pricing to ensure goods are not being dumped into Canada.

The government can do more to ensure that Canada continues to be competitive and has a skilled and qualified workforce. Our main recommendation is to facilitate further reductions in EI premium rates and reform our EI system.

One of the biggest challenges we face in our region is inadequate border infrastructure. Only the government can provide the necessary funding to improve and enhance capacity—

The Chair: I'm sorry to do this, but you're speaking very fast for the interpreters.

Mr. Peter Hrastovec: I apologize. I'm very sorry. I've got only a couple of pages. I'll slow down.

The Chair: Thank you very much.

Mr. Peter Hrastovec: If I could have an indulgence, I only have a couple of pages more to read.

Only the government can provide the necessary funding to improve and enhance the capacity of the Windsor-Detroit border crossing, our country's busiest border crossing. An estimated \$1.2 billion U.S. in trade crosses the U.S.-Canada border daily, over 40% of it at land border crossing in the Detroit-Windsor region. Of this daily trade, as much as \$234 million U.S. is automotive-related. By trade volume alone, the Ambassador Bridge is the biggest and busiest border crossing in the world, carrying 25% of the value of trade between the U.S. and Canada.

Our manufacturers see the border as a part of their business process that is currently not working well. Perceived and real delays at the border are hurting both the regional and the national economy. The government must move forward with action gauged at dispelling any doubt that we are serious about solving our border problems.

Manufacturing warrants its own specific political and professional oversight. Assigning a minister or deputy minister who will have a function to oversee these measures dealing directly with the manufacturing challenges would certainly be appropriate and highly desirable.

Manufacturing is the key to our future economic success. We have nothing—nothing—to lose in attempting to improve our lot. We have everything to gain by working together towards solutions that will grow our economy.

Thank you very much. We have written submissions that we provided to Mr. Latimer this morning.

• (1045)

The Chair: Thank you very much for your presentation.

We will go directly now to Mr. Storey for a five-minute opening presentation.

Mr. Bill Storey (Partner and Director, MidWest Precision Mould Ltd): Thank you, Mr. Chairman and committee members. Welcome to Windsor, the automotive capital of Canada.

My name is Bill Storey. I'm a founding partner at MidWest Precision Mould in Windsor. My partners and I established MidWest in 1986. We are mould builders who produce plastic injection and compression parts for the auto, home appliance, toy, and gardening equipment industries.

Our industry has been in a serious and threatening downturn for the last three to four years, and getting worse. At our peak, we employed 55 skilled trade workers. Today, our current number of employees is 25, which is a 56% reduction in our workforce. The number one competitors in our industry for many years were mould builders in the United States. This area of Windsor and Essex County has always been known for its quality and timely delivery of moulds and dies. With that in mind, our customers in both Canada and the United States felt confident in having their various projects done here.

As I stand here today, all of that has changed. We're now dealing heavily with cheap offshore pricing, mainly from China, and it is devastating our industry. Many tool shops have closed or are in the process of closing. Windsor currently is at the top of the list in unemployment in the country, and it shows no signs of slowing down in affecting this manufacturing sector. We are an industrial city, and industry is leaving the area at an alarming rate. Some of the major companies that we used to build many moulds for include Black & Decker, Kodak, IBM, Rubbermaid, Little Tikes, MTD Products, Mattel Fisher-Price, and Graco Products, just to name a few. All of these companies have moved their manufacturing facilities to, or are dealing directly with, China. They now make the entire product in China and sell the finished goods to the Canadian and U.S. markets.

This trend is growing at a rapid rate. We've been trying to find ways to compete with this low-cost competition in order to survive but have met with a few obstacles—the high Canadian dollar, high energy costs, high fuel costs, and extremely low wages in China. As an example, tool makers in China earn the equivalent to roughly \$200 Canadian per month at best.

I'd like to speak for a moment on so-called “joint ventures” with Chinese firms. Please find attached a letter from Industry Canada regarding the very concerns we are speaking of this morning. On the second page, third paragraph, you'll find a section under “China Strategy”. Industry Canada explains what some companies have done in order to protect themselves from the fierce Chinese competition. Please keep in mind that Chinese firms have absolutely no interest in North American firms joining them in building moulds or dies for the Chinese market. Their only interest is building our moulds and dies for the North American market. Industry Canada seems to feel that by teaming with a Chinese mould or die builder, this will open opportunities for us in China. This is not the case at all.

China works, in my opinion, under protectionist tariffs. Currently our auto parts are subject to 28% tariffs once arriving in China. Further to this, no automobile that is built outside of China can be sold in the Chinese market without 85% of the parts in the vehicle being made in China. DaimlerChrysler is currently in the process of finishing an assembly plant in China, a Chinese joint venture to supply the North American market with Chinese-built vehicles. Where are current regulations regarding Canadian content entering our market from offshore automakers? In order to level the playing field in this market, in my opinion, we need an auto pact with China, Korea, or any other offshore country that would surely find our open market attractive.

I'd like to explain what is happening in our industry when a mould or die supplier wishes to work with a tier one supplier or directly with a North American-based automaker. I'll use the example of a major North American automaker we are currently dealing with. In the process of a new vehicle going into production in the spring of 2007, this company has implemented target pricing. They set a budget for every level of build for this vehicle. In our case a tier one moulder that will supply the automaker with moulded parts from the moulds we will build has approached us. We were given a target price that the automaker is willing to pay for our moulds. This price comes from a firm that the automaker hired to come up with said target price.

• (1050)

Should we agree to take the project on, we would then pay a fee of 15% of the target price to the hired firm. Since we cannot build the moulds for that price, we are forced to get prices from mould build companies in China, at their recommendation. They will build these moulds in China for approximately 60% less than the target price. This is a China strategy that Industry Canada suggests we should get involved in. We have lost 56% of our workforce, and this China strategy will only succeed in depleting it further. If this is the strategy of our industry in the future, here are the ramifications of this strategy:

We will require very few employees, as the moulds will be built in China. We will become nothing more than a depot. By that, I mean a building where the moulds can be shipped to after arriving from China. We will need only a small number of employees to unload the moulds and clean and inspect them prior to shipment to the end-user.

We will no longer require our many suppliers from whom we purchase components and products for the mould build. We will no longer require new machinery or upgrades to it. We will no longer need computer software upgrades to run the machinery.

This will be the China strategy. Industry Canada seems to feel statistics do not support our concerns. If this is the case, why then did the Government of Canada, along with the United States and the European Union, file a complaint on September 15 of this year with the World Trade Organization regarding China's imposition of illegal barriers to the sale of foreign-made auto parts to China?

Furthermore, it is my understanding that Canada financially aids China in the amount of \$30 million or so to aid them in the making of everything from baseball bats to toys. It would appear to me that these are my tax dollars aiding our industry here in Canada to lock their doors.

The Chair: Mr. Storey, could I ask you to wrap up? We're about two minutes over our time.

Mr. Bill Storey: Yes; I was speaking slowly for the interpreters.

Our mould and die industries are fighting a losing battle. I hope this presentation will bring to light the reasons. We may soon inherit the same fate as the textile, furniture, and major appliance industries, which are virtually non-existent in North America for much the same reasons I have touched on.

We merely need a level playing field, and hopefully with government intervention we'll be able to achieve it.

I thank you for the opportunity to speak on our concerns, and I will attempt to answer any questions as well as I can.

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

We'll now go immediately to questions from members. We'll start with Ms. Kadis, for six minutes.

Mrs. Susan Kadis (Thornhill, Lib.): Thank you, Mr. Chair, and gentlemen.

When I came from the airport, the taxi driver told me what I was seeing would not be here in the same way if I came here a year or two from now, and that there would be continual changes in the area, as many of you have referenced today and as earlier speakers mentioned. He had a great deal of insight into what's taking place here, and it was very eye-opening for me as a prelude to hearing you today.

We've heard references to a need to change and improve tax policies, trade agreements, and of course to the importance of research and development investments in partnership with industry. How important is that element—the investment—to develop the new products, in view of a lot of the testimony that has suggested heavily that we are not creating technology at the same rate that we are losing it to China and other markets? I'm talking specifically about the investment in R and D and the role that you believe the federal

government—of course, along with the provincial government, but in this case we're talking federal—needs to play in terms of helping to turn the situation around.

• (1055)

Mr. Ed Kanters: I'll try to give you my perspective on that.

It's critical that our industry in particular, but also all industries in Canada, has a significant investment—and by “significant investment”, I mean that we need to get to the level of 5% to 10% of our sales dollars on an annual basis—invested in the development of new products and new processes.

We're not going to be able to change the fact that there are going to be competitive pressures on us from across the world, from lower-cost jurisdictions where products are made. What we can do, and where there is a significant advantage in Canada, is in applying initiative, applying the brain power that we have in this country, the education structure that we have, along with industry, to develop a new product that, through either intellectual property or just through technological advancement, we can maintain an advantage in.

We won't compete in the world by applying labour conversion costs at a lower rate than happens in the world. We will compete by coming up with new processes that allow us to have an advantage over parts of the world that cannot develop those things, or not as quickly, and by developing new products that have people chasing us, not us chasing the competition or not us having to try to figure out how to apply a lower labour cost where that's not practical in our economic structure.

What do we expect? What would we like to see out of government, pertaining to that? In my opinion, it's an expanded grant structure; more risk sharing, which was mentioned up front in the SR and ED approach; something that provides a partnership to industry to develop these competitive advantages, so that we can be effective in competing against the world.

The Chair: Ms. Kadis.

Mrs. Susan Kadis: Thank you.

I'll just follow up on the ongoing South Korea trade negotiations. I'm not sure who it was, but someone suggested that you weren't at the table. Or were you part of that?

Mr. Mike Hicks: I didn't know that we'd have this committee, so I'm just going from memory.

Last October, a delegation of toolmakers from Korea was invited to the Greater Toronto Area. OEMs from Canada were encouraged to go there. Basically, it was like, “Toolmakers, here are our Canadian OEMs. Go to it.” Again, Korea is a low-cost country, and here was a way for our Canadian OEMs to save some money. That's what I'm against.

Obviously we've had great ongoing relationships with the government. At the MP show in 2003, there was a luncheon hosted by the Canadian government. They invited a Mexican delegation to go with our Canadian toolmakers, and that was a really good thing. The Canadian government identified a plumbing issue in Mexico, and a lot of our people could build plastic pipe and so on and so forth for things related to the plumbing industry in Mexico. They said it was going to be about a \$1-billion overhaul of the Mexican sewage system, and that was a great opportunity. And there have been several other great trade missions.

I'm not trying to throw the government under the bus for one thing, because we've had other good things. But the good things that you should focus on are good trade missions like that, positive trade missions in terms of identifying a problem. There's a shortage of skilled work in that field in Mexico, so that's a really good example of the government working with us.

Mrs. Susan Kadis: In case I have any more time, I'm just interested in knowing what areas you have consensus on. I know there are some on which you have different viewpoints in terms of trade specifically.

In other words, do you communicate a lot with each other on some of the issues, some more than others, and ones that you're building consensus around? It's something I'd be interested to know.

Mr. Bill Storey: Typically, in the mould industry, we all know one another. We all work together. We all know the end user. We're all in exactly the same boat.

Work is leaving here at a very rapid rate. We can no longer compete with our Chinese and offshore competitors. As we said earlier, plants are closing and people are being laid off. We need a level playing field so that we can build our moulds and sell them to our customers at a reasonable price, and so that we're not having the cheap offshore competition that is devastating our industry. And we all know it. We've known it for awhile. But in the last year, it has quadrupled as far as the devastation goes. This is not a crisis, this is devastation.

• (1100)

The Chair: Mr. Hicks.

Mr. Mike Hicks: Thank you.

We had a gentleman here at this table earlier, in the first session. He did everything you should, on paper, be doing right. He was taking advantage of the R and D programs. He was innovative. He was a progressive-thinking person.

Again, as Mr. Storey has alluded to, it's the labour issue from China. In a mould, approximately 20% to 30% of the content in the mould is labour, so we'll give them a pass and say they have free labour. We'll give them that. The prices are coming over here 60% to 70% cheaper than ours. How can that be? That's our question.

We appreciate one, as it's as much innovation as possible. But we can't compete with that. If you want to use the word "tariff", that's where you should get together with the U.S. government, because they're going to listen to you. Again, we'll talk later, because I have this book. The U.S. will listen to you because they're in the same situation. Right now, we should be losing work to the United States because of the currency. In our industry, it's not a big factor right

now, because Michigan is in worse shape than we are because they're in the same situation.

The Chair: Thank you.

Thank you, Ms. Kadis.

We'll go to Monsieur Crête.

[*Translation*]

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

This afternoon, the Minister of Finance is expected to present an update on the state of the economy before the Finance Committee, probably in Ottawa. What would you like him to say about the manufacturing industry? Are you expecting a quick political position on this matter and, if so, which one?

[*English*]

Mr. Peter Hrastovec: Once again, I want to just formally apologize to the francophone members for speaking so quickly before. And to our translators, I apologize again.

Allow me to answer the question. I appreciate the candour with which you're speaking on this specific issue.

This is not a political issue. This cuts across all political parties, all constituencies. This is about the survival of our economy. It is extremely important that the message be relayed back to the minister, to the deputy minister, to all those in that portfolio, and to everyone in Parliament. The issues have to be fundamentally set and the policies have to be addressed to allow us to create incentives for manufacturing.

We've heard a lot about R and D today. R and D is very important—research and development, of course. But you can't have research and development without the manufacturing component. If you look at our life, our livelihood, our lifestyle, this is not about politics. This is not about nationalism. This is about putting food on the table for our children and the survival of our country as a viable entity in the world order.

We're peacekeepers. We're also incentive-based in terms of everything we do in the world community. We lead the way on human rights issues. We do a lot of things that should be considered the model for citizenry across the board. Why can't we, then, take care of our industry so that we will be able to continue along those lines? That's why I say it goes far above and beyond political affiliation here. This is about survival.

[*Translation*]

Mr. Paul Crête: Are you aware of public opinion? In Canada, in general, economic growth largely depends on Western Canada's energy and oil. It is very difficult to convince senior public servants in the Department of Industry, for example, that we are facing an outright crisis.

For my part, I went to Western Canada last week. It is a totally different situation. I am not against the growth that the West is experiencing. It is not a bad thing in itself. Actually, it is very positive.

What message would you like to add, so that the government is fully aware of the current situation?

[English]

Mr. Mike Hicks: Oil is oil, but manufacturing is all-encompassing. There are several manufacturers. Again, I'm representing mould making and so is Mr. Storey. But throughout this community, there's a wide variety of manufacturers. Look at the have provinces. Alberta is a have province, but Ontario always has been a have province because we have a strong manufacturing base. It's as simple as that. Auto may be down, but other manufacturing may be up, and so on and so forth. But if oil is down, oil is down, and you're down and out. You can't put all your eggs in one basket. That's why you should continue, obviously, to support our manufacturing base here.

• (1105)

The Chair: Mr. Kanters, do you want to respond?

Mr. Ed Kanters: Yes.

Just to add to that, it's proven in economic analyses across developing countries in the world that any country relying solely upon natural resources for economic growth does not have a sustainable model. You have to develop an infrastructure of industry and an infrastructure of services so that there is something left when the natural resources are gone.

It's a wonderful thing that we have this resource, particularly out in the oil sands in Alberta. That can provide a lot of the wherewithal to develop this country further. But that part of Canada was initially developed and got to the stage it's at because of the core of the country at the time, being Ontario and Quebec, providing a lot of the resources to do it.

We need to take a national view of things, not just an energy view of things. There has to be some more support for the manufacturing side of this country, so that there is something left when the resources are gone, so that there's something sustainable that will help us to maintain our lifestyle.

[Translation]

Mr. Paul Crête: At the beginning of your presentation, Mr. Kanters, you talked about problems at the border. You have probably heard about the plan to impose an additional \$5 tax on every vehicle transporting fruit and vegetables entering Canada from the United States. It was supposed to be in effect on November 24, but it seems that the Americans have delayed applying the measure.

Actually, it will apply not only to vehicles transporting fruit and vegetables, but also to all vehicles crossing the border. Were you aware of this? Have you lobbied on this issue or are you planning to? If not, do you think it would be necessary to do so?

[English]

Mr. Ed Kanters: It's not something I was aware of, but it doesn't surprise me. On the issues we have seen as far as the holdups and the problems at crossing the border are concerned, it's a continual stream.

Just this week, we were faced with the fact that there was a change in the way Customs was handling all of the trucks crossing the border from Windsor to Detroit. The result of it was seven- and eight-hour delays for product going across the border. That impacts our customers and it impacts their view of dealing with Canadian suppliers.

We need to have more information to allow us to react in advance to the things that are going to take place, that are going to affect our ability to ship to the U.S., and some better way of transporting our product across the border without incurring a huge additional cost to try to do it.

The Chair: Thank you, Monsieur Crête.

We'll now go to Mr. Van Kesteren.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Mr. Chair.

Thank you, all, for coming. I have two questions.

Much of what you have said we've heard. I don't want to minimize it, but you're just re-emphasizing what's taking place across the challenges. But there are two things that jumped out at me and the committee members as a whole.

The first question I'm going to direct to you, Mr. Kanters, because you raised the issue about patents. We heard this morning that when your companies develop things, some of the multinationals take these developments to China and get these things made in China. Do you want to elaborate on that? That was just absolutely shocking.

Does anybody want to elaborate on that, someone who knows about it? We heard this from the last bunch of witnesses.

Mr. Mike Hicks: I can elaborate on that if you'd like.

Again, we've been to a lot of meetings and we've seen a lot of things happen, and this is all part of the China situation. That's why I thought things would take care of themselves, because of what's happening.

Say a company like Black & Decker spends the R and D money here in North America. They take the product to China, and the shops in China build two tools, one for Black & Decker and one for another company. Then, everything's suddenly wiped out. And to enforce patent laws in China, it's the wild west.

We had Butzel Long law firm in this building during our last trade fair. We had 300 people there, and they were talking about that and how they deal with it. Do you mind if I use some blunt words with the committee here? They asked Butzel Long law firm how they enforce patents in China, and this is what a lawyer from the Butzel Long law firm said. The United States has the cowboy mentality. He said they take the Chinese in a room—and this is paraphrasing a quotation from him—and say they're Americans, they bombed Japan, and they'll do the same thing to the Chinese, so stop stealing U.S. intellectual property, and that's how they'll make it stop. Is that a country you want to deal with?

• (1110)

Mr. Dave Van Kesteren: So we're taking R and D money and developing great innovation, and there are companies out there that are taking these things, stealing them from you, and taking them to China and having them developed there.

Mr. Mike Hicks: Yes. Absolutely.

In my bag of tricks, which I didn't submit to the committee, you can read *Sports Illustrated*. They did it with golf clubs, like the Ping and King Cobra golf clubs. A person in these plants makes \$10,000, but they get paid \$200,000 to take it down the road. These are the things that are going on in China. This is why I thought it would take care of itself, because of what's happening.

You mentioned Black & Decker. They're starting to return work to North America because of this intellectual property being stolen. However, what's happening, especially in automotive, is that the automotive companies are catching on. They knew all the crap that was happening in China, so they're putting the onus on the mould shops now: "You take care of our crap".

Just as Mr. Storey mentioned about the pricing situation, they come in and say we have two choices. We can either have that mould built in China or we're not going to get their work. That's what they're telling us. The thing is, it's a losing battle. As Mr. Storey mentioned, if that work goes to China, he's responsible for the quality of the content when it comes back here, so he has to bring everything up to snuff. If it's built properly, he's picking and choosing his replacements, because the OEM doesn't want to go over there, roll dice, have things stolen, and so on and so forth. They're putting the onus on the shops as the shops are becoming like circus animals.

The problem is this gap, as I mentioned. If the gap were closed... Again, I've been around the block in this business, and I really thought this would take care of itself. Again, there will always be emerging countries out there. Again, that's why we do need the innovation and why we need everything else to help us. This is a battle we cannot win without the help of the government.

Mr. Dave Van Kesteren: I have another question for you, Mr. Hrastovec. I bet you want to jump on that one too, but I have another one.

You're fighting for your life. I'm asking you this because I think you're a liaison man between the companies and labour. We have a lot of advantages, let's face it, and they have their advantages. What I'm talking about here is the competition that's giving us so much trouble.

Another thing that was very disturbing was the talk about the companies pitting one manufacturer against another and causing this delay in payment. It was 120 days after a prescribed time. Is there talk about a partnership between the manufacturers and the union, maybe, to stop this practice? This sort of stuff is just not right. I think it was asked by the media, too, what the government can do. That's very difficult to legislate. Again, it's your choice, but they have you in a corner. They have you up against the wall. Has there been some discussion between the union and the companies about working together?

I'm asking you, but I can open that up to anybody.

Mr. Peter Hrastovec: I'm glad you asked that question. Thank you very much for that.

In my other life—my real life, I suppose I can say, because here I'm a volunteer as chair of the Windsor Chamber of Commerce—my full-time career is that of a practising lawyer, mostly in labour and employment here in this community.

I've seen a lot of interesting things happen in this community, and one of the most interesting and intriguing things came most recently. We met with Mike Vince, who you heard from earlier today, from Local 200. We met with him at the chamber, to talk about the issues that are plaguing the trade unions in this community. One of the things I said to Mike Vince, and which I'm saying to all the trade unions in this community, is that it's not a question of suggesting that trade unions are not relevant. They still are relevant, but they have to reinvent themselves in terms of how we market this community and talk about our broad-based labour and employment staffing, again with highly technically trained individuals who can supply the labour market for any new investors who come to this community. That's the one thing we talk about.

On another level, we talk about the very thing you are addressing, and that is the fact that there are a lot of companies that have now developed this mentality that they can finance their operation by just taking time to pay. I can tell you—and the legal professionals will, too—that we see this happening. It's taking 60 days, 90 days, 120 days to get our accounts to be paid. Of course, we are like any other small business, because, notwithstanding the fact that we're a profession, we have our GST obligations and every quarter we make our remittances. I can tell you and my financial administrator will tell you, because he talks to the other administrators from the other firms in this town—and I'm not from Butzel Long, by the way, although I do respect them—that the fact of the matter is that whether you're a big firm or a small firm, it doesn't matter. We're all facing those same obligations.

So whether you're in the professions, whether you're in industry and trade, whether you're in manufacturing, whether you're a simple small service provider, a ma-and-pa business, everybody is facing the reality that people are not paying their accounts within 30 days or 60 days. They're taking much longer, up to as much as a year in some cases. I've seen that happen as well.

We're talking to the trade unions about it to a large degree, but they're also fighting for their survival and for their livelihood. Dare I use the C word? They have to seek and negotiate concessions with manufacturers in order to keep their employees alive. If you have 2,000 people who are working in a plant, you may not be able to keep 2,000 jobs, but isn't it a good thing to keep perhaps 1,600 jobs if you make a deal to keep those people working, as opposed to seeing the whole thing go by the wayside?

• (1115)

The Chair: Thank you, Mr. Van Kesteren.

We'll go now to Mr. Masse.

Mr. Brian Masse: Thank you, Mr. Chair.

My thanks to the delegations for being here today.

I'm going to ask three questions, and then I'll turn it over to the panel to answer all of the questions if you want, or part of one question, or two questions, or whatever you think is appropriate for a response, to allow everybody to give input on certain things.

The first question is an issue with regard to what Mr. Kanters brought up in terms of non-tariff barriers, and that's the issue of the border and the costs of shipping and receiving goods across the region here.

We have some of the highest costs per crossing. In fact, they're higher than in Buffalo. They're higher than in Niagara Falls. They're higher than in Sarnia. They're higher than just about everywhere else in Canada, except for one other privately owned bridge in Fort Frances. The concept being floated is that we're going to have a public-private partnership and potentially toll roads. Citigroup actually did a recent study showing that private toll rates are actually up to 35% to 40% higher than public ones. How important for all industries is it to keep border costs lower in terms of the actual cost of shipping and receiving?

Mr. Kanters, I've probably consumed several of your gelatin products over the last week, as I've been struggling with a cold.

Secondly, with regard China, are there any other hidden subsidies that China is providing, with regard to attracting investment, subsidies that we don't really hear a lot about? Does anybody have any knowledge of that?

Lastly, if we lose our industries, do you think it will affect national security? I still think it will. If we lose our manufacturing base, then we can't respond. I'd like to hear about that.

Thank you.

Mr. Ed Kanters: I can maybe begin to respond as far as the cost of crossing is concerned. Of the product that we manufacture here in Canada at our facilities, about 80% to 85% of it goes across to the U. S. To the extent that it becomes more expensive, both through the actual outlay of costs to get across the border and, as I mentioned before, the infrastructure we have to have in place to smoothly get product across the border, it reduces our competitiveness against other businesses. It's a direct cost that we have no choice but to pay. If it continues to escalate and continues to go up, it's just going to continue to squeeze our profit margins, reduce our ability to invest in development of new products and of new processes, and reduce our competitiveness. So there's a flowthrough effect to it becoming more expensive and more difficult to get our product across to our major market.

Mr. Brian Masse: Are there any other comments from the panel?

Mr. Bill Storey: To your question on subsidies from China, Mr. Masse, the Canada Border Services Agency has investigated alleged dumping of fasteners into Canada, and also the possible subsidy given by the Chinese government to Chinese farms. What they've found, according to my research, is special economic area incentives; grants provided for export performance in employing common workers; preferential loans; loan guarantees by the Government of China; income tax credit refunds and exemptions; reduced corporate tax rates for export-oriented enterprises—they seem to be keying on export—exemption reductions of corporate income tax during start-up periods; income tax refunds of amounts invested in special economic areas; relief from duties and taxes; deduction in land use fees; and reductions on purchases of goods from state-owned enterprises. All of this puts us at a negative competitive balance.

• (1120)

Mr. Brian Masse: With that, are there any suggestions in terms of Canada looking at putting in some type of tariff barrier? I want to hear that.

Mr. Mike Hicks: Absolutely. I agree with everything Mr. Storey said. Also, when I said I thought the law of economics would take

care of itself, in China we heard that as they're going through working with western countries and so on and so forth, they've gone to a looser free enterprise system. We were told the shops were for-profit and that 50% of all the loans guaranteed to the industrial companies that we're competing against would be lost. They would not be able to pay them because they're just not financially able to pay them. That's not coming to fruition, so that's another issue.

I absolutely agree. I know "tariff" is a naughty word and that obviously you'd like us to take care of our own problems. Obviously, again, I can't reiterate enough about the SR and ED programs. The border issue is very important. The Chamber of Commerce has been working diligently. They have a special committee, and we applaud them for that because it's very vital to us.

Mr. Brian Masse: Very quickly, Mr. Kanters, on the SR and ED credits and what not, can you be more elaborate in terms of what specifically would help to get the next wave of investment? You mentioned about improving them. Are there any specific suggestions that you have, or does it need a whole review?

Mr. Ed Kanters: I believe it needs a whole review, but something that translates itself into more direct input into providing some support for the costs associated with that.

I'll be honest. It's been a while since I've looked through the details of the program, but from what I understand of them, they are basically tax credits to be received or to offset against the taxes paid on net income. I'm not quite sure how long ago this was, but in the past there was more direct input about grants, about cash infusions to support specific programs that were proposed to Industry Canada or other agencies, to support the development of a new product, the development of a new process where the benefits are clear and defined, where there is the opportunity for employment and growth through opening up new markets, or where protection of markets exists.

So a little bit more direct, upfront participation is what would be helpful.

The Chair: Thank you.

We will now go to Mr. McTeague.

Hon. Dan McTeague: Thank you for being here today. We've heard some very fascinating comments.

I take up where my colleague Ms. Kadis left off with respect to ensuring that we're all singing from the same page on what ought to be done and what needs to be done, while at the same time recognizing that in this area and in many other areas, Canadians tend to want to purchase products at the lowest price, with the best quality. They are doing it day in and day out throughout a number of retail stores here in Canada.

I'm wondering if you could tell me, from the Windsor perspective—I think it's extremely important, as this is a motor city—whether or not there has been the ability to adapt to the change in the tastes, the inclinations, or the appetites of Canadian consumers as it relates to products they're purchasing. Of course, within the automotive industry I was saddened to hear, like many in Toronto, about the closing of the Essex motor plant. I have a 1993 Ford Explorer with 474,000 clicks on it. It has a damned good engine, and I can't remember another vehicle that did that well.

Nevertheless, a lot of us are wondering something. If you're supplying parts to this industry, are you supplying to the entire industry or are you working through the Magnas or other companies like that? Are we losing out because the big three in the United States have seen closures and we're now seeing the ripple effect for your industries here in Windsor?

Mr. Mike Hicks: Yes, absolutely. You can't police consumers, but because certain situations are allowed to exist, you have a piling-on effect. One company does it, and it's like littering: if you throw one thing out the window, there isn't a mess, but if everybody suddenly litters, you have a mess. The problem is that because nothing has been done to correct this in a big way, you have one company doing it, and then you have a second company, and then we suddenly have to compete against that. The bottom line is that if something costs \$30 and it's selling for \$30, we certainly can't produce it for \$100. That's where the big problem is, because \$30 becomes the benchmark for that product.

• (1125)

Hon. Dan McTeague: Mr. Hicks, on that point, a BlackBerry or the shaver you used this morning, Fusion, the new one that has come out from Gillette, the plastic may be made in China for pennies. It may be exported with all these little subsidies, but the actual technology that went into creating five microblades was actually made in Quebec. That product itself has high value-added.

There is an argument out there suggesting that where we can continue to be competitive, where we can continue to maintain our standard of living, where we can continue a viable manufacturing sector, is not just in niche marketing, but in recognizing that in areas where we do specialize, these are not technologies that China or South Korea or anyone has. We are concerned about copyright, but the argument may come back to me in some corners—not necessarily in my constituency, but across the country—that if we meet a challenge of subsidies and we meet the kinds of incentives that are being given in China, many of them probably bordering on dumping, we should do the same. Are we protecting industries that cannot make the transition in an important time and, as a result, unwittingly not preparing ourselves for the next economy? I realize it's a structural problem. I'm not playing devil's advocate, but it's an important argument that's out there.

Mr. Mike Hicks: Again, I don't want to throw any other industry under the bus, because all manufacturing is important. Again, though, I reiterate that I'm protecting mould-making. It's a proven fact, especially in Windsor and Canada, that Windsor is a world-leading-class mould-making producer. It is world class. We have it here. It's not like we're trying to invent it. Our industry does the innovation and does everything right by the book.

When I suggest that customers come to us with problems and so on and so forth, what do we do? We have certain formulas, but there are some things we can control and some things we can't control. Within our industry, there are going to be strong shops and there are going to be weak shops. In our economy, there are going to be weak manufacturers and there are going to be strong manufacturers. Unfortunately, someone is going to lose.

With our mould-makers, we're very strong. We can compete with anybody in the world. Again, I refer to my ITC book. You can look at the German economy. I've been to Germany, to the EuroMold

show. They're even more advanced, I would say, than Canada is, but sometimes their moulds are too expensive for a world market. But when you look at Germany and you look at BMW and Mercedes-Benz, they protect their industry. They can still get high costs.

Again, our mould-makers are highly skilled. They should be paid proportionally. It's a strong industry.

The Chair: You have ten seconds.

Hon. Dan McTeague: Just on the European side, are you finding it less competitive now that the currency is still very competitive relative to Europe? Are you getting fewer European competitors?

Mr. Mike Hicks: Most of our competition is from the States.

Hon. Dan McTeague: Thank you.

The Chair: Thank you, Mr. McTeague.

We'll go to Mr. Carrie now.

Mr. Colin Carrie: Thank you very much, Mr. Chair. I have a couple of questions for the panel.

One of the opportunities that I had last year was with Jeff Watson, member of Parliament for Essex. He brought the Conservative auto caucus down and we had the opportunity to actually see the border. We talked to some of the stakeholders about different solutions. I was wondering if you actually have some ideas. With the border, number one, what do you see as the biggest holdup? What are the short-term solutions and the medium- and long-term ones as far as increasing capacity is concerned? I'm just wondering if I can get each of you on the record, just to give us an idea on that.

The other one was more or less about this U.S. study about the different countries that aren't playing by the rules, or however you want to phrase that. What I'm seeing is Canadians being the good guys. We go out in the world and we play by the rules. We're doing what is ethical and what needs to be done, and these other countries are just doing what they want to do. They're renegades. I was wondering if you could comment on that as well, and just elaborate a little bit more. In your opening statement, you didn't have that opportunity.

Those are my two questions.

The Chair: Perhaps we can start with Mr. Storey on the border question first, and we'll finish with Mr. Hicks, who can go right into the second question.

Mr. Bill Storey: On the border, I believe everybody is aware that Toyota has just announced that they are opening a plant in Woodstock. They already have one in Kitchener. There has been nothing here in Windsor. Personally, I feel that one of the main causes of that is the border crossing here at Windsor–Detroit. It's well known that it's a bottleneck. It sometimes takes hours to cross. That is turning investors away, in my opinion. They work on just-in-time delivery. If they can't get their goods across the border in a timely manner, why deal here? They have much better success in Sarnia. That border is much easier. It's cheaper. Ours is more expensive. It's a bottleneck. We'll go on for years in this area about a new crossing. It's like our arena. It just won't happen.

• (1130)

The Chair: Mr. Hrastovec.

Mr. Peter Hrastovec: Very briefly, thank you for the opportunity to comment on this.

I agree with Mr. Storey, and if I can just take it a step further, it's not just Toyota. Look at all the developments going on in, say, the Kitchener–Waterloo area, everything east of London, and just west of Toronto. There are options there to cross, and not just at Sarnia. They can cross at Niagara and they can cross at Windsor as well. They're smack dab in the middle.

If you're looking at a regionally based economy—and you have to look at this region because of everything it has to offer—you have to make the access to Michigan, Ohio, Illinois, and the Midwest region sustainable and very quick and operational. The fact is that there are those opportunities for people who do want to take the chance to do investment here in the deep south, as we call ourselves sometimes, but by keeping that border not as fluid as it ought to be, that tells people they should go elsewhere for their economic development. If there are opportunities elsewhere, then so be it. That's what a free market is all about. But keeping that border in a manner that is not as sustainable as it ought to be does not give this community, this region, those opportunities.

The Chair: Mr. Kanters.

Mr. Ed Kanters: Just as an expansion on some of the things that have been said, the border crossing that we have here was operating at very close to capacity even before 9/11. Any hiccup that took place would create slowdowns, backups, and huge issues getting across. Then 9/11 happened, and now customs activity and Homeland Security actions can, at any point in time, create larger backup. That just points out that there is a capacity constraint, that being the crossing point that we have here.

That constraint needs to be dealt with in two ways. We need a secondary crossing so that there is greater capacity. Along with that secondary crossing, we need to work with our friends over in the U. S. to develop their customs infrastructure so that it's capable of handling the throughput. We're not going to change the fact that they're going to want to maintain their own security, but we need to work with them so that the structures they set up don't create slowdowns and barriers to the free movement of trade across the border.

The Chair: Mr. Hicks.

Mr. Mike Hicks: The only thing I would like to add is that we haven't addressed people crossing, such as customers who come to visit us. Key personnel have a heck of a time crossing that border going both ways. Even when they get to Canada, they have to get back into the States. Again, when we're exporting so much to the United States, the last things these people need are problems crossing the border. Somehow, that issue has to be addressed as well. But I agree with all three panel members. Obviously, it's a common thing within manufacturing.

The Chair: And on the second question that was asked—?

Mr. Mike Hicks: May I ask that the second question be repeated? I only got part of it.

Mr. Colin Carrie: In your opening statement, you mentioned that the U.S. has done homework for us.

Mr. Mike Hicks: An in-depth study, yes.

Mr. Colin Carrie: Like I was saying, it seems that in Canada, we're the good guys. We play by the rules. You inferred that there are countries out there that are just renegades. They do what they want.

The Chair: Just briefly, please.

Mr. Mike Hicks: Yes. Again, we don't want *War and Peace* here.

I've reiterated that statement throughout what I've said here today. Again, I just want to reiterate the briefing that I have here. That study could have been used against us. We could have been a victim. They were looking to put tariffs on us because they know that so many disproportionate amounts of moulds are going into the United States. But they again deemed us as a fair trade competitor.

On the other countries that were named, we've talked about all the improper things that are happening. You said to make it brief, but if you look at China, they're going to take a lot of that money and they're developing an army. They're going to come after the United States at some point too, and the United States has to be worried about this as well. What are they doing with this money? As I said, they have a mission.

I just want to say something about the plastics. The world of plastics in our industry is growing. It's a growing field, but it's shrinking here, so we have to protect that.

The Chair: Thank you.

We'll go to Monsieur Vincent, and this will be our final question.

[*Translation*]

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

I will try to summarize everything that has been said here this morning.

First, Mr. Storey talked about missions to China in which Canadian industries have participated. You also mentioned the automobile pact with Korea, which will soon affect you personally. You also talked about tax credits. With regard to credits, we know that we need them to make profits, but that without profits, they are useless.

Moreover, I said that we were going to overwork the word “innovation”. It's all very well to talk about innovation, but first there has to be some. However, the most important issue and one that comes up all the time is the protection of intellectual property. As far as I am concerned, I believe that the problem has been created out of nowhere. We are trying to create it on one hand and solve it on the other. The fact remains that it is always the same ones who pay, that is, Canadian taxpayers. With regard to the missions to China, the federal government is paying so that industrial entrepreneurs can try to find a way to reduce their costs by having their products manufactured in China.

Mr. Storey told us that we would become distributors. During another mission to China organized by the federal government, the client will find the same supplier, who will be completely eliminated and be directly integrated with Chinese suppliers. This means that a business that employs 40 people is completely eliminated. Under these conditions, the supplier will also be eliminated. There will be problems on that side as well.

With regard to intellectual property, I do not know if a bill could resolve certain issues. We have to find a way of protecting innovations and the creation of new products. As a lawyer, Mr. Hrastovec, you know that fighting such cases can involve enormous costs. I do not believe that industries can afford to protect their intellectual property on an international scale.

The government is taking us to China. We are trying to find out how we can, financially speaking, preserve the industry here in Canada. Actually, it is always the same money we are spending left and right: taxpayers' money. We create a problem, then we try to solve it, but the root of the problem is a result of what we are doing here.

I would like to have your comments on all aspects of today's discussions.

• (1135)

[English]

The Chair: Who would like to start off?

Mr. Storey.

Mr. Bill Storey: First of all, I couldn't agree with you more. As far as intellectual property goes, yes, taxpayers are holding the bag on that one. There seems to be a misunderstanding or a misinterpretation of the global economy in China. I don't think most people understand that China is not purchasing our goods. The deficit shows that. China purchased \$7.1 billion from Canada, and that was in raw materials only. We spent \$29.5 billion on goods from China.

China is buying our raw materials to make product to sell back to us that we used to make. This way of thinking has to stop. We have to work together, Canada and the United States, because we're both in the same boat. As someone said earlier, we're fighting a war. Yes, we are. In this industry we are. We somehow have to work together to come up with a common plan that is going to slow this influx of goods into this country with very little leaving it. We're not manufacturing goods for China to purchase. They don't want them. It's as simple as that.

• (1140)

The Chair: Would anyone else care to comment?

Mr. Peter Hrastovec: I just want to agree with Peter, and I also agree with the comments by the honourable member. You have to marry technology with manufacturing in order to create the lifestyle and livelihood that we have in this community. We can't forget about our own people.

I say there should be fewer trade missions to China. Do trade missions internally. Go from region to region. What you're doing here, for example, is a significantly better spent dollar by the federal government than sending a bunch of business people over to other countries to see how we can do business better. Everybody knows how to do business. On our laptops, we're a click away from communicating with other companies, other industries, and so on. We don't have to have the show any longer. Let's talk about doing things to strengthen ourselves internally in this country.

The Chair: Thank you.

Mr. Kanters, just briefly.

Mr. Ed Kanters: Just as a brief comment, we're not going to change the fact that there's going to be competition in the world. The ability to or the rate at which we can change our own organizations, our own products, our own processes, so that we can be on a development and growth curve faster than that of our competition is how we maintain advantage.

We need some structural support for that in the area of intellectual property. We need to have the infrastructure in place and we need to have the policing in place so that we have some forum to go to in order to block product from coming in if it is being developed with stolen technology, with stolen intellectual property. It's a difficult thing to do, but we need to get that type of vehicle for our industry and all industries in order to go and access if we see that things are happening, such as what some of the other members of the panel have been saying in terms of where stolen technology or stolen patents have been resulting in product coming into North America.

The Chair: Thank you very much.

Just briefly, Mr. Hicks.

Mr. Mike Hicks: If we don't do something to correct this manufacturing situation, we'll become a colony. Lee Iacocca, in the 1980s, wrote a book about this. He wrote about the demise of manufacturing in North America. I don't know if you've read it.

We don't want to become a colony. We have a lot of good things happening. Hopefully we can take something from this today and go forward.

Thank you for having us.

The Chair: Thank you very much.

Thank you very much, Monsieur Vincent.

I just want to make a couple of concluding remarks. First of all, for any documents that you do have—Mr. Storey, I believe you've handed something in—we will endeavour to have them translated as soon as possible and distribute them to all members. If any of you have any further recommendations that you'd like to make in addition to your presentation, please do give them to the clerk either now or later on.

I just want to fill you in on our agenda for the rest of the day. We're meeting with the mayor and we're getting a briefing with respect to the border. We're touring the border and we're going to St. Clair College. So we will be doing more here in Windsor.

I want to thank you. You have re-emphasized a lot of the themes that we've heard. The issue of intellectual property has really come up in our hearings across Canada, so I want to emphasize that.

Also, with respect, Mr. Hrastovec, you made a very good point in terms of getting regions to work together. I come from western Canada, and 40% of the manufacturing done for the oil sands is done in Ontario. I think we could do even more of that, frankly. That's what I know the Canadian Manufacturers and Exporters are looking at doing. They're trying to partner up regions across this country.

I want to thank you for your time here today and for being with us.

Committee members, we will assemble very quickly, get on the bus, and go meet the mayor.

Thank you. The meeting is adjourned.

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