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• (1530)

[English]

Mr. Ted Menzies (Macleod, CPC): I certainly don't want to interrupt you in your introduction, Chair, but we've just received some information that I want to share with the committee. Minister O'Connor has found time in his schedule to join us for one hour on Wednesday.

The Chair: This would be with regard to, I believe, Mr. Turner's motion, passed by this committee, to have the ministers come forward. I've done a little checking, and Mr. O'Connor was the one we were really looking for because he was the minister who actually made the decision.

Okay. The minister will be here for the last hour on Wednesday.

With that, we will move on to our very impressive witnesses.

First, from the Confédération des syndicats nationaux, we have Claudette Carbonneau. We are pleased to have you here. I'll ask for a short presentation, and then we'll move on before we get into questions and answers.

The floor is yours.

[Translation]

Mrs. Claudette Carbonneau (President, , Confédération des syndicats nationaux): Thank you, Mr. Chair, honourable members.

The Confédération des syndicats nationaux represents 300,000 workers employed in all economic sectors. Half of our members work in the private sector. The current crisis that is plaguing the manufacturing and forestry sectors, particularly in Quebec and Ontario, is extremely painful. Since December 2002, more than 135,000 jobs have disappeared from this sector. Close to half of the 275,000 layoffs in this sector nationwide occurred in Quebec.

In the pulp and paper industry, the situation is particularly dramatic. In Quebec, 10,000 jobs have been lost since April 2005. If we were to include corollary activities, the number of jobs lost is 21,000. As regards the forestry sector, approximately 100,000 jobs, including indirect jobs, have been lost. These job losses have occurred mainly in the 240 single-industry towns and villages of Quebec that are now experiencing significant hollowing out problems.

At the heart of this struggle, there has also been the very rapid depreciation of the dollar. Considerable efforts must be made to modernize our businesses. Research, development and innovation must be enhanced so that we can compete with emerging countries

internationally. Of course, assistance must be given to workers and their families. In single-industry communities, the situation is particularly dramatic.

Without wanting to insist further on the magnitude of the problem, I will share with you some solutions the CSN has formulated. Of course, when the federal government issued its economic update, many measures included tax cuts. Nonetheless, up until the very end of March this year, surpluses could still be allocated. We believe that it is particularly important to implement targeted measures in these sectors, and in the affected communities. I will make a few suggestions.

We have considered loans or guarantees as incentives to modernize certain businesses. Businesses are currently experiencing financial difficulties and are not making the necessary upgrades. Yet, it is the communities and workers who are paying the price, and jobs are disappearing. We would also have liked to see more substantial support to the secondary and tertiary processing sectors. This can be done in several ways. In the most recent budget tabled by the Government of Quebec, tax credits on processing operations were allocated to resource-based regions. We believe this measure to have been relatively effective. More than 5,000 jobs have been saved because of these measures. In the case of regions which have been particularly devitalized, the government should consider tax credits for young skilled workers who accept employment related to their area of study, located in their region.

The entire research and development sector plays a particularly crucial role. On that front, Canada does not rank very well. This country is not among the most outstanding countries of the OECD. To my mind, we must strengthen tax measures as a way of increasing investment in research and development. This would allow businesses to become more competitive on the international front. The government should also reinstate the Technology Partnerships Canada program, which has already proven to be useful. This program was eliminated by the federal government, but could prove once again to be extremely useful in these circumstances.

• (1535)

I will say a few words about the forestry industry. A catastrophe has befallen this sector. We feel that the diversification fund for the forestry industry, worth some \$50 million over four years, which was abolished by the Conservative government, would have been particularly valuable for single-industry communities. In the same way, assistance programs such as the co-generation program could be extremely useful. We would like to see an increase in funds for industrial research assistance programs to help us get through this difficult crisis.

Obviously, there's also the entire issue of the enormous surplus of the employment insurance fund, which could be another way of helping us survive this difficult period. I also wish to draw your attention to a program that is absent, an income supplement program for older workers. The reinstatement of this program has been agreed upon unanimously by all union organizations in Quebec. Relatively speaking, the program is inexpensive, and highly focused. There are workers who are 55 years of age or older, who have worked for more than 10 years, and whose professional credentials will not take them into a new workplace. We have been able to carry out these assessments, particularly through reclassification committees. We must build a bridge by giving older workers benefits that are equal to employment insurance benefits, so they can reach a decent retirement at the age of 65.

I also wish to call your attention to international treaties, and how important it is for the federal government to implement safeguard measures so that we can adequately face the transition towards international competition and give our workers and communities a chance to keep their head above water in these circumstances.

I will conclude there. If you have questions, I would be pleased to answer them.

[*English*]

The Chair: Thank you very much.

We'll move on to the Laurentian Bank of Canada.

Mr. Carlos Leitao, the floor is yours.

Mr. Carlos Leitao (Chief Economist, Laurentian Bank of Canada): Thank you, Mr. Chairman.

Good afternoon. I apologize that my head's in a little bit of a haze—too much cold remedy.

I want to make four quick points. First, I don't think we should put manufacturing and forest products in the same bag. They are two different situations and two different industries. I agree with my predecessor that the forest products industry, especially in Quebec, is in great structural change and in need of some serious assistance.

Manufacturing is a little different. If anyone had told us a few years ago that the Canadian dollar would be at parity, oil would be \$100 a barrel, and China would be a major player, we would all have thought that manufacturing would be totally wiped out, but it's still here. It's undergoing a major restructuring as well, but all segments will be able to carry on.

This is also a worldwide phenomenon. It's happening in the United States. Its currency has declined quite sharply, and that has not prevented major layoffs in manufacturing in the U.S., Germany, France, and Japan. The new element in all this is intense global competition and integration coming mainly from China, which has now become the planet's manufacturer. This requires some adjustment on our part. I wouldn't sell our manufacturers short, because they have proved over and over again that they're able to adjust.

Complicating things further is the fact that the U.S. economy is now most likely undergoing a recession, and in my view it will not be a normal recession. It has been triggered in large part by a severe

credit shock; therefore, it will take quite a while. This is not simply an issue that after a quarter or two or three the U.S. will be back. The U.S. won't be back at the same rates of consumption we saw in 2004, 2005, and 2006. Going forward to 2008, 2009, and 2010, you're going to see U.S. consumer spending much weaker than what we saw from 2002 to 2006. This is also a new wrinkle in this whole mess.

Does government have a role to play in all of this? Yes, it has a very important role to play. I wholeheartedly support the suggestion that was just made to help older workers, particularly in the forest products industry. More generally, governments should target assistance to individuals and not to firms or sectors. It's always a very complicated game if we try to pick winning sectors or firms, but individuals certainly need assistance, particularly older workers in single-industry towns in Quebec and other provinces. We support that wholeheartedly.

Finally, we are a small bank, but we have a cross-section of clients from different industries and sectors, mostly in Quebec but some in Ontario. Only about 20% of our commercial clients are in the export business. The other 80% serve primarily the domestic market, which in Canada is still doing reasonably well. Until further notice, Alberta and B.C. are still part of Canada, and the economies there are certainly going very quickly.

In conclusion, government has a role to play, and that role should be focused on assisting individuals and not firms or sectors.

Thank you.

• (1540)

The Chair: Thank you very much.

We'll move on to Phil Vinet from the Municipality of Red Lake. The floor is yours.

Mr. Phil Vinet (Mayor, Municipality of Red Lake): Thank you.

Good afternoon, ladies and gentlemen.

The forestry industry has been active in the Red Lake area since the late 1920s, when gold was found in Red Lake and timber was required for the gold mining industry. Because there were no roads into there, they developed sawmills to build houses and mines and so on. In later times, the Red Lake area has been one of the primary sources of fibre for the pulp and paper mills in Kenora and Dryden and a sawmill in Ear Falls.

Like so many other towns, we have suffered, based on our population, large job losses. In Red Lake, out of a population of 4,500, we have lost 120 jobs in the forest business, which is almost every one of them. Our lone sawmill has been decommissioned for quite some time now.

In the last two years there has been considerable interest in constructing a value-added wood processing facility in Red Lake. This is a case where we're trying to leverage our geographic location, being at the very base of arguably the largest boreal forest left in North America. Negotiations and discussions have been held with the area's first nations, established communities, and with foreign forestry interests, mostly from Finland. This is now known as the Two Feathers project.

Throughout its history, Red Lake's economic base has been primarily driven by gold mining, which we all know is subject to world commodity pricing. Red Lake has experienced many boom and bust cycles from 1926 to date, when we are enjoying a boom gold cycle. To truly stabilize its economy, Red Lake needs to focus on industrial and commercial diversification, reducing its reliance on mining.

It should also be known that we enjoy a seasonal tourist component in our economy, but that too has been compromised by several factors. As was mentioned by my friend here, the American economy severely impacts Red Lake's tourism. To that end, in the last two years we've had trade missions go to Germany to attract a new type of tourist, and it has met with some success immediately.

Let me get back to the Two Feathers project. It is a value-added production facility that will contribute significantly to regional industrial and commercial diversification and the general well-being of the area's economy. This is leading-edge technology, and it would be the first facility of its type in North America.

The Two Feathers project has been the work of many partners: the Wabigoon Lake Ojibway Nation, Eagle Lake First Nation, Pikangikum First Nation, the City of Dryden, the Municipality of Red Lake, Wood Tech Group from Finland, and many government agencies. There is the possibility for further inclusion of other partners.

The planned business activities will benefit each of these partners. The project will benefit the entire northwestern Ontario region by establishing markets not reliant on the volatile U.S. commodity market. Integral components of the Two Feathers forest products business plan are foreign direct investment and sales to establish foreign markets, namely Europe, Japan, and Scandinavia. The manufacturing plant will produce value-added wood products that do not fit into the traditional wood commodities products markets.

A very ambitious HRSDC-funded trading initiative is in the planning stages and will train over 100 Pikangikum youth in its first year to ready them for jobs at the Two Feathers operations. A total of over 500 Pikangikum youth are slated to be trained by the program over seven years. With a 90% unemployment rate, Pikangikums consider this a very key component in their economic recovery plan. This training will occur at Pikangikum First Nation, in the municipality of Red Lake, and in the city of Dryden, resulting in positive impacts in those communities. There will be many other training requirements as this project unfolds, and to that end, the municipality of Red Lake is in discussion with Confederation College and Northern College of Applied Arts and Technology to provide a bricks and mortar site for training.

This type of discussion has now included the medical and service industry training requirements. As a result, we're seeing immediate benefit as a result of the Two Feathers project. We expect 500 direct and indirect jobs to be generated by the Two Feathers project. This is a big number for us.

Throughout Red Lake's history, projects of this magnitude are extremely rare. We must take advantage of this opportunity. This project is critical to job creation, with positive regional economic recovery ramifications. Red Lake will be well positioned to attract future businesses that will support and serve the Two Feathers forest products plan. There will also be opportunity for social, cultural, medical, and educational employment.

● (1545)

To begin the process, the Municipality of Red Lake, Two Feathers Corporation, and Goldcorp, a local mining company, forged a partnership for the procurement of 142 hectares of land necessary for this project. This was groundbreaking in itself, as throughout history it was unheard of for mining companies to divest property, particularly in Red Lake. They have been very protective of all mining lands due to their mineral interest properties, and for that we are thankful to Goldcorp.

The economic benefits resulting from this project are significant. Without going through the numbers, one can only imagine the impact of a project of this size. The project's total investment in the region will be approximately \$160 million, including the biomass cogeneration site. This is nearly the equivalent of constructing a new gold mine. This does not include any investment associated with the adjacent 40-hectare industrial park. The Two Feathers project industrial park will generate considerable tax revenue for the municipality. This is a very important component of the municipality's involvement in this program. It is imperative that the municipality increase its assessment base now, because we simply cannot afford to keep raising local taxes.

I'll explain how we've become gold poor. Red Lake, as most of you know, is arguably the hotbed of gold mining in North America right now. The more gold is found, the bigger the mines become, and the bigger the mines become, the more their operations go underground. That, according to the Ontario Mining Act, excuses them from paying local taxes. These are mega-mines. They move their garages, fire stations, shops, lunch rooms, and engineering offices underground and pay no local taxes on them. So the more gold we find, the less tax we generate. It's not a good combination, especially with gold right now at about \$1,000 an ounce.

Canadian and international businesses or industries will have considerable opportunity to invest in startup businesses, relocate businesses to or expand businesses in Red Lake. This leading-edge technology located in Red Lake may be a template for similar projects elsewhere. We envision Red Lake becoming the centre of excellence in value-added wood projects with this modern technology. This is an opportunity to utilize the pillars of sustainability that result in the best use and highest value from our natural resources. It is our desire to position ourselves so that all potential investors view us in a positive and favourable manner.

This is where the story changes a bit. What do we need to make this happen? The Government of Canada, through departments such as INAC, Industry Canada, and FedNor, are invited to participate in this joint venture. The participation can come in various forms, such as capital investment, commitment, and coordination efforts to keep the project on track. The Municipality of Red Lake will require assistance to upgrade infrastructure and service delivery to the project.

The project will require a well-trained, skilled, adaptable workforce that can stay ahead of global requirements. The project will require additional capital as we include new technologies to stay ahead. The project will include a biomass component with all of its benefits, including reduced reliance on hydro and the burning of fossil fuels. The project will need new marketing strategies that include offshore markets. This is a very market-driven project and needs immediate site development in order to begin construction immediately. Yes, we ask you to help and be a partner with us.

The Municipality of Red Lake is proud to be a partner in this project. We feel this is an opportunity for the federal, provincial, and municipal governments, first nations, private industry, and foreign investment to help get Canadian forestry back into the mainstream. We do not want to miss this opportunity that may create further opportunities down the road. We ask that you be the partner with us in this exciting endeavour that is a first for Canada.

In closing, on behalf of all the partners and the residents of Red Lake, I'd like to thank you for this very unique opportunity.

• (1550)

The Chair: Thank you very much.

We'll move on to Ann Krassilowsky from the city of Dryden. She is the mayor.

We'll yield you the floor and allow you five to ten minutes. Go ahead.

Ms. Anne Krassilowsky (Mayor, City of Dryden): Thank you, Mr. Chair, and thank you, ladies and gentlemen, for allowing us this opportunity.

In Dryden we face some very serious challenges, due, in large part, to the downturn in the forestry sector. We know that both federally and provincially the governments fully appreciate the impact on resource-dependent communities like Dryden and know what we are undergoing. We're pleased to present Dryden's perspective and appreciate any direct or indirect assistance you may be able to provide that will return our community to prosperity.

We are, in fact, a very prosperous regional centre for business, health, and professional services. Our natural resources support our healthy, vibrant lifestyle and are the foundation of our very modern community. With your help, we hope to stay that way.

We're situated midway between Thunder Bay and Winnipeg. We have a population of approximately 8,200, with a trading area of approximately 35,000. If you should come by, I'll welcome you to our wilderness city.

We were, and are, resource dependent. Forestry probably accounts for about 70% of our local economy. The local mill has in fact, in the last five years, reduced employment from approximately 1,200-plus to, now, about 520 jobs. If you multiply that by four, in the ordinary family, that has a huge impact on direct and indirect business.

At the same time, the mill has invested about \$250,000 in ongoing maintenance and upkeep. They are very good at looking at efficiencies that will help them stay in business and support our community.

The direct job loss, if it had occurred in this city, would result in the loss of about 67,000 quality jobs. You can imagine the impact. Many indirect forestry jobs have been lost as well. The situation is now commonplace in many forest-dependent communities in northwestern Ontario. As president of the Northwestern Ontario Municipal Association, we represent 35 communities, and I can tell you that almost every one of them is facing the same issue.

We had low unemployment. We were a prosperous business community. We had moderate growth and development. Dryden has, in fact, targeted economic diversification sectors, which include value-added forestry, mining, tourism, education, health services, and, especially, green energy.

The effect of these lost jobs is that now the average family's income is 16% lower than it is in the rest of Ontario, and there is a more than 50% increase in our Ontario Works caseload. We have a steady increase in demand at the local food banks. We have construction activity in the city that has just about dwindled away. It's probably the lowest it's been in 10 years.

If you watch the out-migration of our youth, it's very sad, and it's taking place throughout northwestern Ontario as employment opportunities disappear. Our city is being forced to increase taxes above the cost of living or to start dramatically cutting and reducing services. We need to do that to maintain and replace deteriorating, necessary infrastructure. As you know, we have applied many times through COMRIF intakes one, two, and three and have not been on the lucky end of the project. We are looking to replace our waste water treatment plant at a cost of about \$21 million.

Right now, pulp and paper is undertaking an assessment review of taxation, which takes about \$2 million out of Dryden's coffers, and that is going to have a huge impact on our community.

Policing costs are escalating, because of course the social fabric of our community is starting to come undone.

Businesses have shut down. We have vacancy signs around town, which we've never had in the past. Our response has been to develop a new strategic plan that focuses on economic growth. We've implemented the community improvement plan. We've put money into downtown revitalization, thanks to FedNor and OSTAR funding. We are, as I said, an active member in NOMA and the Ontario Forestry Coalition.

The city has worked closely with our mill and our forestry industry, and we continue to work with them to find answers and solutions. The forestry issues are a provincial jurisdiction. We know that, but restructuring, fibre supply, species at risk legislation, and stumpage continue to be an ongoing struggle for all of us.

Global impacts are beyond our control in Dryden. The Dryden Economic Development Corporation has been created to aggressively pursue economic diversification opportunities through business retention, expansion, and investment.

We applied for the NRCAN forest communities program, and we were not fortunate there either.

• (1555)

Right now we're in the process of pursuing the creation of the regional northern forest innovation centre to support value-added forestry research, development, and knowledge transfer from Finland, which is a Two Feathers project that my colleague has spoken about. We continue to work with our first nations neighbours on a number of projects and initiatives that will benefit Dryden.

We would especially like to see an increase in FedNor funding. We are working on developing projects and policies, photovoltaic, solar, and biomass energy generation, as well as our sustainable waterfront.

The opportunities for federal support of small resource-based communities is a very quick rollout of the recently announced community development trust and ensuring that its application is only to small, single resource-dependent communities.

We would like to see the release of funds for targeted infrastructure grant programs such as Building Canada. As we struggle for funding for our new waste water treatment plant, we need to know what's happening with that, how soon it's coming out, what it's going to do, and the criteria there.

We're looking for investment in the major transportation corridor. When highway money is allocated, the standard needs to be increased, so maybe you do shorter mileage, but you invest in a better road that's not falling apart six months later.

We need flexibility to tailor programming to the regional needs and, again, increased funding for FedNor.

With respect to temporary financial support, when there's a significant loss to the municipal tax base—between \$8 million and \$10 million—we need support for research, development, and training that will enable us to transition the commodity-based forestry sector and its workforce into value-added product development, and we need retraining and training support for citizens of the impacted communities that allows them to stay in their communities. We have people who are commuting across Canada, especially to the west and north, who have to phone their children to kiss them goodnight. That's not a good thing.

We need capital funding support for the creation of the northern forest innovation centre in Dryden that will serve regional needs and stabilize funding for the local, regional, and small airports across the northwest and across Canada.

There should be consideration for establishing greater federal employment presence in resource-dependent communities.

We also need an incentive for communities that partner on economic ventures with first nations in the private sector. And can you please accelerate the settlement of our neighbouring first nations land claims as a means that will stimulate northern and new economic activity and job creation?

The family impact of all of this is absolutely huge. It's destroying family life. That should not happen in a country like Canada. We're fortunate to live here. It's a great country. I ask you to support us.

Thank you for your time.

• (1600)

The Chair: Thank you very much for that presentation.

Now we'll move on to the Fédération des chambres de commerce du Québec.

We have Jean Laneville. Your comments, please

[*Translation*]

Mr. Jean Laneville (Economist, Fédération des chambres de commerce du Québec): Good afternoon, and thank you for the invitation. It is always appreciated.

What is the Fédération des chambres de commerce du Québec? Very quickly, we are made up of 162 chambers of commerce and 57,000 members. We consider ourselves to be the most significant business network in Quebec, as well as the most representative given our presence in all administrative regions of Quebec, and in all economic sectors. This is why we are here today. Among members of our federation, there are representatives of the manufacturing sector.

[English]

The Chair: You may want to slow down a bit so our translators can keep up.

[Translation]

Mr. Jean Laneville: The Fédération des chambres de commerce du Québec is a very significant network.

Let's get to the real issues. Why do forestry and manufacturing companies need financial support from the government?

Whenever we talk about financial assistance for companies, two economic ideologies come into play. Some people believe in giving the market free rein, because they maintain that market mechanisms will redistribute the resources in the most effective way, and provide the highest net profit and gain for the population as a whole. Others maintain that the government should to some extent intervene, and believe that job creation and economic development require government support.

At the outset, I would like to say that the Fédération des chambres de commerce does not deal in ideology. Our members face real, tangible economic problems, and we believe that pragmatic approaches are required to solve those problems. The Fédération believes there are four reasons justifying direct government assistance and tax relief for the forest and manufacturing industries. First, competitiveness and investment; second, economic diversification; third, an even playing field for competition; and fourth—I think the two preceding speakers will be happy to hear this—regional development.

With regard to competitiveness and investment, everyone knows that since the early 2000s, foreign competition has led to significant restructuring in Canada's manufacturing industry, which was driven even harder by the very rapid rise of the Canadian dollar. The Fédération believes that the restructuring is both normal and healthy. The government should not take action to prevent it, but provide some support for companies as it occurs, and help them meet the challenges that it entails.

We believe that companies need help. At present, the restructuring is going ahead at a very rapid pace. This is a new phenomenon—we have never seen foreign competition invade both the domestic and foreign markets in this fashion. Fluctuations in the dollar are having some—and even a great deal of—impact on companies' business decisions. Similarly, because of the strong Canadian dollar, investments are becoming less profitable, when in the past, the relative weakness of the dollar gave us a comparative advantage. Nowadays, we have to focus on the competitiveness of our companies. Productivity and competitiveness are vital—they are the key.

The problem is that companies in the manufacturing and forest industries are hesitant to invest. The dollar is generating some instability, but also reduces their profit margins somewhat when they export products.

We believe the government has a role to play. First, the government should further reduce the tax burden on businesses. We therefore applaud its commitment to gradually bring corporate taxes down to 15% by 2012. However, we believe that the GST reduction made it impossible to lower corporate taxes more quickly, something that in our opinion and in the opinion of most financial experts in Canada and elsewhere would have been much more profitable for the Canadian economy.

The second good reason for which the government should provide assistance to the manufacturing and forest industries is economic diversification. Here again, I won't be teaching you anything new in saying that, because of rising prices in raw materials and the improved position of the dollar, manufacturing and natural resources industries—and indirectly the service industry—have expanded in Canada because of the wealth effect, while the rise in the Canadian dollar has had a negative impact on the manufacturing industry.

In our view, it is essential that the government make every effort to ensure that the Canadian economy remains diversified, for a very good reason—the natural resources boom can only be temporary. Some day the price of natural resources may drop, and in any case the resources will one day become exhausted.

Thus, in order to ensure Canada's long-term growth, we have to prevent the country's de-industrialization. That word might be a little strong, but we are now seeing a drop in production, jobs and investment in Quebec's manufacturing industry. We might begin to believe that we are in fact seeing de-industrialization.

In order to prevent that, the government must, in our view, maintain and improve its industrial policy. We recommend that industrial policy be geared to fostering more competitiveness. There must be investment in high-benefit projects. For us, competitiveness is a high-benefit approach, and we believe the government should focus on that aspect.

The third reason for which the government should support the manufacturing and forest industries is a level playing field for competitiveness—levelling the playing field is a sound economic argument. Some industries, like Brazil's aeronautical industry, are strongly subsidized. Embraer, for example, receives a great deal of government funding.

● (1605)

If we want to give Canadian businesses a chance to perform well internationally, we have to give them financial support. It's unfortunate, but the fact is that they are at an immediate competitive disadvantage on global markets because other countries subsidize their industries. It seems somewhat frustrating to be in the position of having to subsidize multinationals, but we have to accept the evidence and take a pragmatic approach. Other countries do it, and if Canada does not, it will lose businesses that are vital to its economy.

We talk about supporting the manufacturing and forest industries, and that involves the whole aspect of regional economic development. I won't be telling you anything new when I say that most governments have a long history of intervening in regional economic development. In fact, it is incumbent upon them to limit social disparities, balance economic development, and distribute wealth within their borders.

There are basically three instruments through which a government can do those things—taxation, transfer payments, and sector-based assistance. In recent years, other countries—particularly the U.S. and European countries—have focused sector-based assistance on manufacturing, among other things because of competition from countries like China. The third regional economic development instrument—sector-based assistance—has two goals: to protect economic sectors that are significant for the regions, and to strengthen competitiveness in the regions by supporting leading-edge and growing industries.

In our view, those two goals are complementary. The Conservative government did something very good in providing sector-based assistance to regions affected by the forest and manufacturing industry crisis. In the 2008 budget, that assistance is provided under the Community Development Trust. The funding will be used to restructure companies and industries that are in difficulty, and that are important for the regions because their production is based on regional assets. Those are companies that have a sound and well-justified economic foundation. In addition, the funding will be used to recycle workers who have lost their jobs in those industries, helping them to enter growing economic sectors, particularly mining.

However, we find it unfortunate that assistance provided to the forest and manufacturing industries through the Community Development Fund was not high enough. Quebec's share is lower than the relative economic weight of Quebec's manufacturing industry in terms of production and jobs. We have pointed out that the assistance to Quebec must be increased and also that the distribution formula must be changed. In this particular instance, apportioning the funding on a per capita basis makes no sense, since Quebec's manufacturing sector accounts for a larger percentage of the Canadian economy. So we did find the form that assistance took somewhat regrettable.

We were also surprised by the \$250 million given to the automotive sector in the last budget, in the form of a fund for innovation. We know that the automotive sector is very highly concentrated in Ontario. Mr. Flaherty said that the amount would be used to create tomorrow's green automobile, or at least to design it. To our knowledge, however, there is not much automotive design in Canada. We therefore wonder whether the funding could have been better invested. We believe that the benefits of innovation might have been greater if the focus had been on life sciences or the aeronautical industry, sectors where Canada is involved in research and development, and where we really do see product design.

Since every taxpayer expects to be supported by the government if he or she does not have the resources to make ends meet, the Fédération des chambres de commerce du Québec believes that Canadian and Quebec businesses should be able to count on government assistance when they encounter difficulties that are to some extent outside their control. For example, they had no control

over the recent rise of the Canadian dollar, something that caused them great difficulty. They are asking themselves a number of questions, one of which is whether they should continue to invest in Quebec or Canada.

Thus, the Fédération des chambres de commerce du Québec strongly urges the government to formulate temporary assistance policies aimed specifically at helping businesses that are in financial difficulty. Obviously, there must be a balance so that the government does not end up subsidizing industries that no longer have an economically justifiable *raison d'être*. The Fédération des chambres de commerce du Québec has long been asking the Canadian government to establish a competitive tax system that fosters wealth creation, and to formulate structuring policies, particularly assistance policies, that foster competitiveness and the long-term prosperity of the Canadian economy.

Thank you very much.

• (1610)

[English]

The Chair: Thank you very much.

We'll now move on to our last presenter, before we open it up for questions and answers.

We have, from DesRosiers Automotive Consultants Inc., Dennis DesRosiers.

The floor is yours.

Mr. Dennis DesRosiers (Independent Industry Analyst, DesRosiers Automotive Consultants Inc.): Thank you very much.

I feel a little bit odd because I'm actually coming from an industry that's in reasonably good shape and in a strong position to face the future. We're not without our warts, mind you, and I'll talk about some of those, but we seem to have done more right than wrong.

First of all, when you talk about automotive, you have to look at the vehicle assemblers very differently from the automotive parts and tool sectors tied to automotive. They are very different. They're very global in nature, certainly on the assembly side; the automotive parts sector is much more North American.

We talk about three very distinct errors in automotive. I won't get into detail on any of them, but that first error occurred when Henry Ford came across the Detroit River and set up a plant in Walkerville. We ended up with about 60 or 65 years in the automotive sector in Canada that turned out to be incredibly inefficient, with high tariffs and no rationalization of our production base. It ended up in a royal commission in 1963, the Bladen commission, which identified all these issues and proposed a series of policies that, through a circuitous route, you might say, ended up as the Auto Pact.

That started our second error, an error through which the auto sector was very successful.

I think it's important to understand that the Auto Pact was a duty-free agreement, but far—very far—from a free trade agreement. The Auto Pact had significant safeguards embedded into it—production sales ratios and value-added safeguards—that highly protected the industry in its development stage. If there is a flaw in the Auto Pact, because of the nature of these safeguards, it forced the industry.... The ones that benefited from the Auto Pact were only the North American players—GM, Ford, and Chrysler—but it was a highly protected industry, and I think you need to understand that.

Coming out of the Auto Pact, it's also important to understand that the auto parts sector was decimated. A lot of people talk about the auto parts sector being in trouble today. The auto parts sector has gone through these regenerations. The Auto Pact eliminated well over half of the companies and about two-thirds of the jobs in the auto parts sector, but it did get down to a core strength, and this framework that the Auto Pact provided, starting in 1965, allowed the auto parts sector to grow, and grow very successfully. Our most successful company today actually started in the year of the Auto Pact, 1965; that's Magna International.

It did promote some very successful companies, but the auto sector changed. What happened in the auto sector very explicitly was globalization. The Auto Pact was good as long as we had a North American-based industry, because it was the North American companies that benefited, but it didn't have provisions to handle the globalization of the industry. Our industry became more and more and more global. We can see that every day; just walk down the road and look at the number of import nameplate products on the road. Consumers in Canada last year bought 55% import nameplate vehicles and only 45% GM, Ford, and Chrysler vehicles.

The Auto Pact wasn't the right policy to go forward. It ended up being phased out through free trade agreements and NAFTA agreements; ultimately the WTO challenge in 1999 killed the Auto Pact.

This has started the third era, the era our auto sector is in at this point. It is an era in which we are doing reasonably well. On the assembly side of our sector, we have virtually entirely reinvested in our assembly plants. We've attracted about \$1.5 billion of innovation money into the automotive assembly sector, with substantial investments by Chrysler, Ford, and General Motors on innovation fronts with R and D facilities. Honda and Toyota are less focused on that; nonetheless, they also have R and D investments in Canada that are extremely successful. We're operating from a strong base.

Contrary to what you might read in *The Globe and Mail* in the morning, production of vehicles in Canada last year was up, not down; employment in the automotive assembly sector last year was up, not down. We do have this problem in the auto sector in that elements of the sector have deteriorated, and deteriorated quite radically. The traditional North American companies have lost about four million units of production. They are gone, never to return; the factories have been closed, and they're not coming back. But in their place we've ended up attracting five global investments. Four are open and operating vehicle facilities today, and another one is coming on late this year or early next year with the second Toyota plant. Every single job lost by GM, Ford, and Chrysler on the assembly side has been replaced by one of these other global players.

● (1615)

We've done quite well through that, going beyond just assembly investments, into innovation investments and investing in our people; it's amazing the amount of dollars dedicated to upgrading the skill set of the vehicle assembly sector. So we're very well positioned on that.

If anything, in the assembly sector, we have a crisis of confidence, in that when we look at the next go-round of investments, as typical Canadians, we say, "Oh, how are we going to get this? We don't have an Auto Pact, and we don't have this or that tool available to us any more." Some of us have more confidence in the strength of Canada, knowing that what we have going on in Canada will help us along those lines. It doesn't guarantee it; we may just have to work harder.

The automotive parts sector is a little different story in this third era we talk about. Most of the parts sector we lost.... First of all, I'll go back. The auto parts sector was overwhelmingly successful once it got through the restructuring of the Auto Pact. We started at about 25,000 workers, and we got down, literally, to about 10,000 workers in the parts sector. That grew from the early 1970s, through to the beginning of this decade, to 100,000 workers in the automotive parts sector—a tenfold growth in this quasi-free-trade environment. As I said, it's duty-free trade, but protected by safeguards.

Since the restructuring at GM, Ford, and Chrysler, we've lost about 10,000 of those jobs, and that is where a lot of concern in the industry starts to come forward: "Oh my God, what are we going to do about that?" When you take a look at the jobs that have been lost, they fall into some very classic categories. First of all, virtually every single job lost—though I can't prove this—was in a company tied to GM, Ford, and Chrysler but was unable to go through the restructuring process that GM, Ford, and Chrysler did. So as they lost four million units in selling to those companies, they weren't able to participate in the four million units replaced by the global players, the Hondas and Toyotas of the world. That's point number one.

Number two, I've been in at least half or maybe two-thirds of the parts companies that have closed, and they're a throwback to another era. You go to these facilities and see that they didn't invest; they didn't innovate and they didn't invest in their human resources. I read in *The Globe and Mail* in the mornings about yet another one of these small plants closing, and I think, wow, why didn't that happen last year, or the year before, or the year before that? It's almost as if they deserve what they got, you might say—in most cases, but not all. This net, unfortunately, gets cast very widely, and some companies get caught up in it.

We're down about 10,000 workers, but we've done really well in Canada in the parts sector to offset some of that, going out internationally and attracting over 150 global players on the parts side of the business into this country, with the latest manufacturing technologies, the latest product technologies, and the latest human resource issues. They have replaced a lot of the auto parts sector that has disappeared. We're still net negative by about 10%, but we've transitioned our industry, or are in the midst of transitioning our industry, from being one that was highly protected from non-tariff barriers and focused, slowly, on three customers, to an industry now that is becoming very global.

The rules for engagement for automotive policy I think need to be set. Many of our policies in the past had a corporate tag on them. The Auto Pact, for instance, was solely beneficial to GM, Ford, and Chrysler—no one else could benefit but them. In this industry going forward, we have to be cautious as policy-makers to have complete neutrality between corporate players.

• (1620)

Just because one of the Japanese companies is ultrasuccessful today doesn't necessarily mean it will be ultrasuccessful tomorrow. Just as GM, Ford, and Chrysler may have issues today, it doesn't necessarily mean they won't solve those issues. These are big resource-intensive companies; they can solve their problems and become successful in the future. So keep absolute neutrality between our corporate players and get rid of these corporate-specific policies that have been put in place.

The second is that our industry, at least on the assembly side, has become very global and on the parts sector side is increasingly becoming global. So take a global approach to development at all levels in the industry, particularly investment promotion. Make sure you are pounding the back pavements in Europe, Japan, Korea, and China for the best of the best and convincing them to come into Canada. Don't just rely on your existing players in Canada to do it.

We have a running joke in the automotive sector that we don't need to take off any more than one glove, and we certainly don't need to take our shoes and socks off, to count the number of very successful Canadian-owned parts suppliers. Once you get beyond Magna, Linamar, Westcast, and Martinrea, you kind of ask who's number five. You might be able to come up with a fifth, and if you're generous, you might be able to come up with a sixth or a seventh, but that's about it.

So we have a relatively weak and small-success Canadian base, but we have these other 150 to 200 global companies that have come in and are doing quite well. So let's have more of that global approach; we can't be afraid of that.

Any success has to be pinned on understanding that we surround the lowest-cost jurisdiction.

I'll finish with this point: we've got to promote efficiency. That's the automotive industry. In a global industry like automotive, promoting efficiency is absolutely critical—investment promotion to get the best infrastructure development and tax regulatory policy for efficiency and human resource policies. And that's the secret to success with automotive going forward.

Thank you.

The Chair: Thank you very much, Dennis. You are in Canada; you are a Canadian. That kind of optimism is usually frowned upon.

Mr. Dennis DesRosiers: Actually, I'm doing really well today, but I'm Canadian, so I have to downgrade it a bit.

The Chair: We certainly appreciate it. I let you go on a little bit longer because you were so optimistic, and that's refreshing to this committee. Thank you very much.

We'll now move on to our questioning. Ken Boshcoff, the floor is yours, for seven minutes.

Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.): Thank you very much, Mr. Chairman.

I'll ask three quick questions and try to address them to specific people, but I'm sure other witnesses may want to respond.

The other day, the natural resources committee learned that the billion-dollar Community Development Trust will be basically, simply transferred to the provinces and territories, with a small base funding and a per capita amount, with no requirements specifically that it be used for forestry and there would be no federal conditions as to how this money would be utilized.

The billion dollars is spread over a three-year period. We all thought it was a one-year funding, so that further dilutes what many people felt was already an inadequate amount. No municipalities, labour, or industry were consulted on how to distribute it.

Perhaps, Mayor Krassilowsky, you'd like to address this when I'm finished my questioning. How would you like that money delivered, and what is a workable program for a municipality such as yours or Mr. Vinet's?

Mr. Leita, I don't know if you are aware of it, but it's been said as of this morning that there are few, if any, forest companies operating in the black, whether it's lumber, OSB, pulp, paper, newsprint, or recycleables. We've also learned that many are now without a bank. I hope yours is the exception. So the question you may be able to help us with is this. What policy can the federal government adopt to ensure that banks are there not just during this crisis but after the restructuring is over, because they need you?

Mr. Laneville, you may have a particular advantage to understand this problem, which is new. I know we didn't need a new problem, but it's compounding, and it deals with the huge and growing issue of railway services to mills and plants, the lack of flat cars and pulp cars, and the increasing rates forcing many of these pulp and paper plants to stockpile. In that industry, if it's stockpiled, it's very vulnerable to weather and all those other kinds of things. That's a national transportation issue that I hope some of you can address.

Thank you, Mr. Chair.

• (1625)

The Chair: We have three questions there. Who would like to start?

Ms. Krassilowsky.

Ms. Anne Krassilowsky: Thank you.

That's kind of a surprise to me. I didn't realize it would come out over three years.

What is the exact criteria as to how we access that funding? When is it going to be available? What does "infrastructure" mean as far as making application for those dollars is concerned? Who is going to roll it out? Is it going to come straight from the federal government to the community? If it passes through the Ontario government, how much will be lost in administration?

I have a whole page full of questions.

My biggest concerns are how we are going to access that funding, when we are going to access it, what it's going to look like over three years, and how it is going to find its way to northwestern Ontario, where it's so badly needed, either through research or training or getting these people back to work.

Every day costs almost a life in Ontario. The impact in northwestern Ontario and across the north is huge. It might be nice to sit here and feel good, but it is darn tough out there in the world. We have families that are being torn apart because there's no money to invest in them—no money to restructure, no money for jobs, no money for the training needs. We have mining opportunities that funding needs to come to. Will Bell Canada be part of that? Will this money be part of that?

We need to have this funding now. Surely we can find a way to do that.

Mr. Phil Vinet: Yes, Mr. Boshcoff, likewise for us. We need the money now. Particularly with the Two Feathers project, three years doesn't cut it. We have a fear that the investors in place will walk away, and then we'll be back to square one.

Here we are, looking at 500 direct and indirect jobs in the value-added business, which is global in nature. It has to happen quickly.

The Chair: Mr. Leita.

Mr. Carlos Leita: Regarding the forest products industry, we have a small exposure to that industry. We do lend to some of those smaller sawmills. We continue to lend to those companies, usually in partnership with the Fonds de solidarité of the FTQ. We intend to remain a player in this industry.

However, we do have a responsibility to our shareholders and to our depositors not to blow money away. We are certainly not going to lend to firms that are not viable. If there is a considerable equity injection in the business, then certainly we will be there.

Mr. Jean Laneville: In regard to your issue, it's the first time I've heard about it. I'm truly sorry, but I can't say anything. We didn't have any of our members bring this up to us.

• (1630)

Mr. Ken Boshcoff: I'm not sure, Your Worships, if... The program we're talking about is the Community Development Trust, which is the program announced for single-resource towns, primarily for—we were hoping—forestry, and I'm sure to some extent mining, which seems to be on the upswing, which is probably for the better.

In terms of deliverables, the understanding—and this was from the Deputy Minister of Natural Resources—was that this money will come through intergovernmental affairs and simply be written to the provinces. In terms of details, I do not know if there are any. But normally, the process is to ask the municipalities what the best way is, because it is for municipalities.

With that explanation, would you have anything to elaborate in terms of how you'd like it to come?

Ms. Anne Krassilowsky: Can I leave with the cheque today? That's the most important thing I can tell you.

You're making me feel not very happy here. I have a bad feeling in my stomach that this is going to roll out in three years and funnel through.

This just floors me. I can't believe we would take that route. We need that money to come now. We have to target it to the necessary....

The Chair: Thank you very much.

Monsieur Crête.

[Translation]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): I might be able to give you some hope by telling you that the first billion was voted for in about two minutes. It just took the political will to do it. On March 31 of this year, \$10 billion of the surplus will be used to bring down the debt, unless the government decides to do something else with it.

Would it not be better to use just \$3 billion to service the debt, and use the other \$7 billion to increase the trust significantly and make that money available very quickly, as you request?

Measures should also be established to help workers. Ms. Carbonneau, I would like you to explain why some older workers can no longer re-enter the workforce in different jobs. Here in the House, we are often told that those workers could find jobs if they were ready to move. I would like you to provide some explanation.

With respect to putting more money into the trust, perhaps the government could invest part of the surplus in other instruments, short-term instruments such as refundable tax credits or something similar, instruments that would bring us to the point where next year we would no longer be in crisis-response mode. It would be better to invest the money now, rather than obsessively pay down the debt.

Mrs. Claudette Carbonneau: I fully understand the concern to ensure that the circumstances do not result in needlessly taking people out of the workforce. I am absolutely convinced that a program can be set up to provide assistance for those who really need it. The forest industry, sawmills and other sectors have large numbers of older workers that often have little education. They are sometimes worn out by a life of performing very difficult work, and cannot retrain in areas that require few skills but a great deal of physical strength. And if we are to be realistic, we have to see that employers are not necessarily eager to hire workers who are 58 or 59 years old.

I am absolutely convinced that, in the current circumstances where companies are closing their doors, the reclassification committees and the know-how developed in professional training programs will make it possible to quickly identify who really needs that help. What's needed is a real income support program, something along the lines of employment insurance, perhaps. That kind of support will not encourage people to remain outside the labour force. For instance, one measure that Quebec unions are agreed upon is a review of the programs after three to five years, to ensure that they are properly targeted. Those are things that can be assessed. Moreover, the programs could be cost-shared. For instance, the former POWA was cost-shared, with 70% of its funding coming from the federal government and 30% from the provinces.

Given the extent of the crisis in the forest industry, Quebec's government has taken some measures to support the workers most severely affected, even though it is not responsible for creating income support programs. It provided a level of assistance similar to the assistance provided by the Régie des rentes du Québec to people who simply cannot work. I feel that extremely appropriate measures could be established. As I have already said, the point is not to take people out of the workforce—we know that Quebec needs workers, and so does the rest of Canada. However, there are circumstances

where people simply cannot find work, and if we do not help them, we are condemning them to social assistance and poverty.

• (1635)

Mr. Paul Crête: It would be a very significant step if the \$1 billion now provided was raised to \$2 or \$3 billion, and the money was made available quickly instead of being used to pay down the debt. On this issue, I would also like to hear the views of one of the mayors.

[English]

Mr. Phil Vinet: Well, if there are extra billions available, whether you're investing in an older worker or a younger worker, you're investing in Canada. It's linear. The older worker has invested in Canada all of their working life, and the younger worker will invest in Canada the rest of their working life. This is a trade-off.

If I were to comment on the ratio of expenditure of the billions... but maybe I'd be showing my political stripes, and that's not why we're here.

It's important to invest in Canadian people—individually, so that they can invest in Canada. In our case, we're looking at a \$12 million investment to start this project immediately, which will result in 500 direct and indirect jobs.

Now, \$12 million out of \$1 billion? It's not very much.

The Chair: Ms. Krassilowsky.

Ms. Anne Krassilowsky: If more money is given for training and retraining, if more money is given to build roads and infrastructure, those are all projects that give jobs. The same people out of a job now will be put back in the workforce, which is good for all of us and good for Canada. It creates its own circle of happiness for everybody. If people have jobs, they don't feel insignificant. It cuts the suicide rate, it cuts the unemployment rate, it cuts Ontario Works, it cuts a whole pile of things. Police costing goes down. It's such a huge picture, but they're all tied to each other.

Phil's jobs in Red Lake affect Dryden and the whole of northwestern in our region. Those 500 jobs are so important right now. We have people in the forest industry, in the trucking industry. They invest a quarter of a million in a depreciating item to carry wood, gravel, back and forth to mills, etc., and it's all for naught. Their investment is going out the window. They're independent business people, and they should have the support of the Canadian government as well.

The Chair: Mr. Del Mastro, you have seven minutes.

Mr. Dean Del Mastro (Peterborough, CPC): Thank you, Mr. Chair.

Just for the benefit of some of the panel, the government does in fact view these industries as somewhat different. In our own documents we break out manufacturing and forestry, so we do recognize that there are differences between the two industries. But there are similarities as well. They do go through boom and bust cycles.

I'd like to start with you, Mr. DesRosiers, and it's in regard to your analysis. Is there a genesis in Canada for the difficulties these industries are experiencing right now? Why are these industries, the auto industry and the forestry industry, going through difficulty right now? What's happened to affect the demand for their product?

Mr. Dennis DesRosiers: I can't speak for forestry—I have no knowledge on that side—but on the automotive side, the demand has been there across North America.

The auto industry classically is very cyclical. We currently are on the downside of that cycle, at least in the U.S. marketplace. In some respects those cycles have been useful for the industry; they've been deep enough that a lot of the manufacturers playing to the cycles have had no choice but to stick to the knitting and do the things necessary to survive the down cycles. In the long term that has actually helped them.

Canada is one of the best spots anywhere in the world to manufacture vehicles. This comes from a human resource point of view; we're close to the markets; the competitive nature of our sector from a costing point of view; and the availability of labour. We know how to build good cars.

• (1640)

Mr. Dean Del Mastro: If I went to automotive specifically, I would look at the loss of the third shift for pickup trucks at General Motors in Oshawa. The reasoning given at the time was that there was softening U.S. demand for pickup trucks.

Mr. Dennis DesRosiers: And no doubt you're going to find those, but you don't stick a policy in place to address a cyclical issue like that. Pickup trucks are down because of the U.S. housing crisis, and it's the contractors who drive pickup trucks. We happen to produce pickup trucks in Oshawa, so we got caught on that.

But as I say, despite that, our production across all models last year was up, not down.

Mr. Dean Del Mastro: Right.

Mr. Dennis DesRosiers: I keep trying to find this crisis in automotive, and I can't seem to find it.

Mr. Dean Del Mastro: Yes, okay, you hit the nail on the head for me there: pickup trucks down, lumber sales down, and it all comes back to U.S. housing, which is not a problem that's been created out of Canada.

Last year, when I went to the Manufacturing Hall of Fame dinner held in Windsor, Frank and Linda Hasenfratz of Linamar were there. When Frank got up and spoke at the podium, he said specifically that they're not looking for a government bailout of industry. What he said he wanted was a 16% federal government corporate tax rate. Of course, we've indicated that we're going to a 15% corporate tax rate.

You mentioned how Canada is competing on a global basis now for investment. We have to compete globally for automotive production and for parts production as well. It seems that the approach toward setting the proper environment for business to succeed is critically important. You talked about poor productivity in some of the plants that we lost. That was perhaps encouraged by our former high taxation policies, and also the low dollar, which prevented investment into this type of capital.

Very broadly, is setting the proper environment for business, the proper environment to attract investment, the right direction for Canada to go in?

Mr. Dennis DesRosiers: Yes, but you've also got to educate the auto sector in terms of how to operate in that kind of environment. Remember, if you go through that auto sector, we had an industry that was highly protected with safeguards, and now we're in an industry where we can't do all that stuff we did in the 1960s and 1970s any more. It's illegal from a WTO point of view. Governments don't have the resources. When tariffs are gone, they're gone. You can't bring them back and get rid of them again.

So much of the issue in automotive is educating industry how to survive in an era where you no longer have these crutches available. You've got to figure out how to do it by going into your factories and with your people and investing and innovating and things like that.

A lot of guys are very scared of that. I think there's a lot of need to help those people understand that, yes, the broad environment is being set, we like the accelerated capital cost, we like the innovation funds being put in place, and we like the amount of money put into anything touching human resources. But an awful lot of guys have never operated in that broad framework where we have to figure it out on our own. We've always had our hand held through this. That's a very different kind of transition that we need to go through.

So it's not just setting the environment; it's helping guys understand and compete in that new environment.

Mr. Dean Del Mastro: Understood. Thank you.

Mr. Vinet, I liked your proposal. I find that a very interesting project, quite frankly, and I like the fact that you've done some costing and so forth, and that you're here working for your town. I really appreciate that.

Have you specifically approached FedNor at this point?

Mr. Phil Vinet: Yes, we have. We've worked with FedNor on the service delivery component. We have to run a water and sewer line, I think it's 2.8 kilometres, and we have to run hydro. That gets us to the site; it does nothing on the 300-acre site itself. It gets us to the baseline.

Mr. Dean Del Mastro: And you're aware that the Community Trust Fund will be directed by the province, so you need to talk to the province about funding under that program. I hope you're successful.

• (1645)

Mr. Phil Vinet: The Province of Ontario has stepped up to the plate here. They've come in to the tune of about \$50 million so far.

Mr. Dean Del Mastro: That's good. But the funds from the Community Trust Fund will come from the province starting here in Ottawa. I want you to know I am supportive, and I hope you find funding from that.

Ms. Krassilowsky, you mentioned Building Canada a couple of times. It's a great frustration for us on the government side that money is booked, but the Province of Ontario has not yet signed on to the program. We hope they do sign on to that program soon, so money can flow to communities like yours and right across Ontario.

One thing that certainly all parts of Canada will be very happy with is that it is now per capita transfer. So Ontario, which used to receive about 22% of infrastructure dollars, will now get a per capita transfer of about 38%. I hope that benefits the people of your community as well.

The Chair: Thank you very much.

Mr. Mulcair, seven minutes.

[*Translation*]

Mr. Thomas Mulcair (Outremont, NDP): Thank you, Mr. Chairman.

My first question is for Ms. Carbonneau. I would like to take this opportunity to welcome her and to thank her for coming here today.

Sustainable development is one of today's hot-button issues. In recent years, it's been given a more prominent place on the agendas of Ottawa and Quebec City. As the mayor of Red Lake was saying earlier, sometimes we realize that there is already an infrastructure in place, and that the circumstances can be turned to advantage and help create new jobs and a new economy. For example, we can find new uses for forest biomass. Given the means of production in the forest industry, vast quantities of forest biomass are often left on the ground when they could be put to good use. The roads and culverts are already built. Moreover, the plant infrastructure, water and electricity are often already available.

Has the CSN studied the issue to see what could be developed in the regions?

Mrs. Claudette Carbonneau: We have not done any particular research on this issue, but we do support our central councils. Usually, they are the organizations associated with renewal committees in the regions of Quebec. In fact, those kinds of concerns may exist at the local level. In any case, this is certainly an excellent avenue for consideration. It would be excellent if efforts to diversify the economy also had a sustainable development focus.

Mr. Thomas Mulcair: For example, forest biomass could be used to produce ethanol.

Mrs. Claudette Carbonneau: That is one of the suggestions we have made, particularly to the federal government. We have told the government that tax measures acting as an incentive for that kind of approach would be very useful. I understand that with this budget, the only commitment to measures other than debt reduction is the very short-term allocation of a portion of the surplus, which is quite significant. We need assistance very urgently.

The industry has been in crisis for several years now, and people have been unemployed all that time. Less than two weeks ago, I visited a number of communities like Saint-Michel-des-Saints, which had nothing other than the forest industry. Those communities are heart-rending. Even the Community Development Trust has been a long time in coming. We have been asking for help for years. So let's make that help available to communities and workers, and give them the means to help themselves, as quickly as possible.

Mr. Thomas Mulcair: You are quite right. Every time we talk about communities, or about the opening or closure of a sawmill or plant, we forget that hundreds of families are losing their source of income. I was also thinking that, in terms of sustainable development, the notion of generating clean, renewable energy from

biomass would also protect us from any potential recourse from the U.S. Even though the NDP is strongly opposed to the softwood lumber agreement, the agreement is there, and we have to deal with it.

Are you aware of what happened at Chantiers Chibougamau? Were you asked to take any action there?

Mrs. Claudette Carbonneau: No, not directly. They are affiliated with the FTQ.

Mr. Thomas Mulcair: I understand. The company's situation is a very real concern in the Chibougamau region. You cited the community of Saint-Michel-des-Saints as an example of the problems that arise in single-industry communities. We see those situations over and over again. You are quite right in pointing out that the small amount of assistance now being given is coming somewhat late in the day.

I would like to tell you about something that happened on the Hill. As soon as we were back in the House, this was the first question we put to Minister Lawrence Cannon. He replied rather haughtily that I should be well aware such assistance could not be provided outside the budget. We were therefore very surprised the following week to see that the first thing the government did was just that—create the trust outside the budget. So, where there's a will, there's a way. We at the NDP fully agree with you on supporting families, and on the needs people have day to day. Unfortunately, that empathy is cruelly lacking in the current government's approach.

• (1650)

Mrs. Claudette Carbonneau: I would like to suggest two priorities. There is POWA—the Program for Older Worker Adjustment—which I mentioned earlier. Urgent action should be taken and the available funding increased. To help you see the scale of things, I can compare the \$1 billion the Canadian government is providing over three years for all of Canada with the \$2.2 billion the Quebec government alone provided in recent years to help in this area. And some areas are still in a very bad way. I fully support the statement made by the representative of the Fédération des chambres de commerce, who said that the distribution of financial assistance must take into account each region's economic weight. What Quebec is receiving represents a far lower percentage than its industrial economic weight and is far too little to meet the needs of those in difficulty.

Mr. Thomas Mulcair: Yes, exactly. When you know the proportion of forestry jobs that are located in Quebec, you can only act accordingly. Finally, I'd like to say to you that you are absolutely right to insist, because we really need a POWA that meets the needs.

Thank you very much, Ms. Carbonneau.

[*English*]

The Chair: Thank you very much.

We'll now move on to Mr. McCallum for five minutes.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you.

Thank you to all the witnesses for coming here, especially those who travelled a long way from northwestern Ontario.

Just to put my cards on the table, my first question is to Mr. Leitao. Perhaps I should say that when I was chief economist at the Royal Bank, for a good part of that time he was the assistant chief economist, until we both moved our separate ways.

Mr. Mike Wallace (Burlington, CPC): You went down. He went up.

Voices: Oh, oh!

Hon. John McCallum: Good luck.

My question is about your comment that you agree with giving money to people but not to companies. I kind of agree with that in a perfect world. If the planet had no assistance for farmers, aerospace, or any other industry anywhere on the planet, I think the planet would be a better place.

As I think Mr. Laneville mentioned, aerospace clearly gets huge subsidies in the U.S. and Europe. Farmers get huge subsidies in the U.S. and Europe. Governors in the southern states give out lots of money to try to lure auto plants and other companies down there.

Aren't we being a little naive if, in the face of the whole world giving subsidies or direct assistance in a certain industry, we are the puritans who say, "Not a penny"? Isn't that just a recipe for losing lots of jobs?

Mr. Carlos Leitao: Certainly I didn't want to give that impression. We shouldn't be the last Boy Scouts on the face of the planet. We have to be realistic and not naive.

What I meant when I said that the government should focus its new assistance on individuals and not on corporations is that we already have in place quite a number of tools to assist businesses. Whether it's the auto industry, whether it's even the forest products industry, EDC or BDC, there are already quite a large number of tools or ways to support industry. I don't think we need a new program.

In terms of new programs, in terms of ways to use money in a rather quick fashion, I would direct that at individuals, particularly older workers in single-industry towns.

Hon. John McCallum: Thank you. That's an interesting nuance. And I'm glad you're answering questions about banks these days and not me.

Mr. Carlos Leitao: We are a small bank, so that's all right.

Hon. John McCallum: Mr. DesRosiers, what's your view on this general issue of support for individual companies or not, especially given the fact that south of the border so much of that support is occurring?

Mr. Dennis DesRosiers: I was deeply involved in the Toyota investments coming to Canada. I remember the officials there saying, "Do you understand why the U.S. south has to provide the incentives they do when we go down there?" Why? "It's because they can't compete with Ontario."

Don't forget that. Ontario is one heck of a spot in which to manufacture vehicles, and these states in the U.S. south really struggle with that.

The other thing is that the auto assembler sector in the U.S. south is actually declining in its nature. They had two very major plant

closings. Ford closed a major plant down there last year, and General Motors is closing a plant down there this year. It's going to knock probably a quarter of their production base out. Both of those plants were originally subsidized; both of those plants ultimately didn't survive. These subsidies need to be longer term, and they tend not to be, so how do you manage to get sustainable development?

You go through all your infrastructure costs, your human resource costs, your light, heat, water, and so on, and Ontario is very competitive and we're doing quite well with that.

• (1655)

Hon. John McCallum: In terms of Ford, General Motors, or Chrysler to locate in Canada versus the southern U.S., isn't the fact of the high dollar hurting our competitiveness in attracting such investment?

Mr. Dennis DesRosiers: There's no doubt that our high dollar is going to pose a real challenge in the future, but also, these are highly capital-intensive industries that can manage to survive in a high-dollar economy.

It didn't stop Toyota from coming. Do you not think Toyota knew the dollar was strengthening when they announced their billion dollars for Woodstock? You'd better believe they did. They may not have anticipated it getting as strong as it did, but they're putting a billion dollars in the ground in order to compete in any jurisdiction. They hedge exchange rates by being in very many different jurisdictions.

Hon. John McCallum: Thank you very much.

The Chair: Thank you.

Monsieur Laforest, you have five minutes.

[*Translation*]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Thank you, Mr. Chairman.

I find it quite interesting to note that in a way, what Mr. Laneville and Ms. Carbonneau said is pretty consistent with what the representatives of the chambers of commerce, unions and workers of Quebec said. It's quite striking that what brings you together, ultimately, is a negative assessment of the situation both for workers in various regions of Quebec and for companies in need of assistance.

Mr. Laneville, you pinpointed specific steps that should be taken. Ms. Carbonneau, you referred to a program for older worker assistance, or POWA, and various regions.

Mr. Laneville and Ms. Carbonneau, if nothing is done, what will happen, in your opinion? Without gazing into a crystal ball, what have the people you represent said about this? In my riding, which is hard hit by the forestry and manufacturing crisis—and I draw a clear line between the two industries—there are pulp and paper mills and sawmills. That's the mainstay of the economy there.

Perhaps Mr. Laneville could go first.

Mr. Jean Laneville: I'd like to point out that the Fédération des chambres de commerce represents all economic sectors. The manufacturing sector and the forestry sector account for only part of our membership. However, those members are mainly located in resource regions, in regions far from Montreal and other major urban centres.

Where the unions and our federation come together is on the issue of economic development. Support for regions, whether through the tax system, direct assistance or equalization, has always been around, in every country. The current hardship in the manufacturing and forestry industries is being felt in the regions; that's where things are heating up. Our members are asking us to watch out, because the future of our cities and companies and the survival of the regions are at stake.

In our opinion, we have to be careful not to wind up with companies only in the major centres. If we are to have a vision of economic development, social justice and so on, we have to come to the assistance of regions that are experiencing difficulties. The government fully understands their economic situation. These are often single-industry towns. If they are specialized in pulp and paper, and overnight they have to absorb the impact of the value of the dollar and foreign competition, we have a serious problem. We have to help them out with this.

• (1700)

Mr. Jean-Yves Laforest: Thank you.

Ms. Carbonneau.

Mrs. Claudette Carbonneau: I fully agree. I think regional development is huge. I've seen studies on regions like the Saguenay—Lac-Saint-Jean. There's a population drain: the equivalent of one bus per week is leaving the region. It makes no sense in terms of vitality and the population base. When that exodus also involves young people, I find that really tragic. The problem is structural and related to the current economic situation, but it seems to me that there's no vision of the future when you fail to consolidate regional economic diversification and to maintain a population base, one that includes young people.

You also referred to people's behaviour and their reality. There are endless human dramas in these communities and a whole range of social problems. I don't want to get overly dramatic, but when the La Baie plant closed down, there were a number of suicides. Apart from the human cost, there are also health care and social services costs for communities.

What kind of bind does this put the oldest workers in? Obviously, they don't have the resources they need to live. They have to sell their house and whatever meagre assets they have. It doesn't make sense for things to be set up this way. I can guarantee you that ultimately, the most sought after and heavily subscribed programs are vocational training programs. That's the kind of program that anyone with any ability has been steered towards. That's what's currently most promising. When there are tens, hundreds, and sometimes thousands of layoffs in one region, let's at least try to offer the available jobs to those workers who are most able to specialize and deal with the new realities of the labour market. In terms of the current economic situation, an assistance program for older workers is urgently needed.

[English]

The Chair: Thank you very much.

We'll now move on to Mr. Dykstra. You have five minutes.

Mr. Rick Dykstra (St. Catharines, CPC): Thank you, Chair.

Anne, I have a couple of questions. First of all, if you wouldn't mind, please pass on my regards to Bonnie Skene when you're...

Ms. Anne Krassilowsky: Oh, I will.

Mr. Rick Dykstra: You're good friends, so I'd appreciate it if you could do that.

Ms. Anne Krassilowsky: I talked to her this morning. She's skiing as we speak.

Mr. Rick Dykstra: Her husband dragged me out once in the truck into one of the fields they were foresting and threatened to leave me out there. Luckily, he took me back.

I have a question probably for both of you, in the sense that I can view my position as a federal member of Parliament and what my responsibilities are; I have a kind of understanding of those. I see the same as a former member of city council in St. Catharines; you have those same types of responsibilities with respect to your municipalities. I wouldn't expect you to come here doing anything other than representing and trying to work on behalf of both of your municipalities.

The difficulty I have is that I can't think of a municipal councillor or a municipal mayor who wouldn't come here making the same types of requests that you are making. I wonder whether you could add a note to both your comments, putting yourselves in our position as federal representatives versus municipal representatives.

Our ability to assist comes with a significant price. We've invested heavily, in all three of our budgets, with respect to infrastructure, with respect to education, with respect certainly to the component—in this budget, for example, of \$250 million—for automotive R and D.

I'd ask you, in the light of that, to comment in that perspective rather than the one you come here with, given your responsibilities.

• (1705)

The Chair: Which one of you would like to start first?

Mr. Phil Vinet: Do you want to trade places? Is that the idea?

I guess our feet are on the ground. The only difference between a councillor and a mayor is that when you're mayor, the potholes are bigger and deeper and the dogs bark louder. That's the kind of connection we have with our constituents.

As far as this type of community development funding goes, they expect us to come here. We come with our tin cup, and they expect us to get it filled up and go back home. Well, we're one of several thousand communities in Canada, and to be honest, I wouldn't want to trade places with you. I don't know what to say about that part of it.

There are expectations by every Canadian, whether they're from Dryden or Red Lake or my friends here. They're relying on you folks.

Ms. Anne Krassilowsky: I guess our connection is that when you think about Dryden and how small we are in the picture, and then you look at how we are used to going to make an Ontario pitch and now are able to come here to make it on a Canadian level and talk with you, and when you see our people—I'll speak for northwestern Ontario and northern Ontario—always speaking with the province... this is an opportunity for the federal government.

If I were in your chair, I would see this as an opportunity to create these jobs, to be basically fundamental now in the regrowth and re-establishment of small communities that are so affected by the forest industry and by life itself in general in Canada right now. I think this is an excellent opportunity for the federal government to come face to face with the people in our small communities in Canada.

Mr. Rick Dykstra: Thanks.

I don't have much time, Phil. I'm sorry.

I guess the only point I'd make is that I know if I went back to my municipality and let the mayor of St. Catharines know that you had had the opportunity to present today, he would wonder why he didn't get the chance. We have so many municipalities that are making those same requests.

I appreciate both of your answers.

I have a couple of seconds left. I'm sorry, Phil, but I want to ask Claudette one question, and then—

The Chair: Actually, it's 30 seconds.

Mr. Rick Dykstra: Claudette, one comment you made after the budget was that we didn't invest in education, that we didn't raise the bar there. I want to comment that in our last budget, in 2007, we put \$800 million specifically into universities and colleges, a 40% increase in the funding the federal government had contributed to provinces and territories.

I wanted to make sure you're aware of that and give you an opportunity to comment on it.

The Chair: Very quickly.

[*Translation*]

Mrs. Claudette Carbonneau: Adequate funding for education is certainly the priority that holds the most promise for the future. I saw what was done in the budget. The federal government's cuts to transfer payments weren't done by the current government, but they are still a fact of life.

[*English*]

Mr. Rick Dykstra: But you're talking about 1994-95.

[*Translation*]

Mrs. Claudette Carbonneau: Yes. Still, there was an extremely broad consensus among all provinces and a number of the constituents of civil society to the effect that the funding should be restored, particularly for post-secondary education. Higher education needs support. Continuing education for adults also needs support.

[*English*]

The Chair: Thank you very much.

Mr. Pacetti.

[*Translation*]

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Thank you, Mr. Chairman.

I'd like to thank the witnesses for appearing here today. It has been interesting. I'd like to give you a chance to correct or clarify certain facts. Mr. Laneville, I'll start with you.

You said that a number of businesses haven't invested and aren't competitive. They haven't managed to be productive and now they need help. Is it too late? Why didn't they invest in the past, given that they were more competitive on account of the value of the US dollar? They may not have been productive, but they were competitive.

Now that the dollar is stronger, should companies invest in machinery and equipment? What has happened? Why should we subsidize these companies?

• (1710)

Mr. Jean Laneville: That's an excellent question. Last November, you invited us to talk about the strength of the dollar and the manufacturing sector. Mr. Roger Martin, from the Institute for Competitiveness and Prosperity in Ontario, an expert in competitiveness, said the same thing I did. Manufacturing companies, including those in Quebec, have not invested given the economic environment. The dollar is all over the place; it jumps, it fluctuates. That is not a healthy environment for planning and forecasting with a view to making investment decisions. No one knows where the dollar is heading. Seriously, if you put yourself in the shoes of a multinational corporation that wants to export most of its products to the United States, parity of the dollar makes you lose a significant competitive advantage.

Mr. Massimo Pacetti: The committee is studying direct assistance measures and the tax environment for the forestry and manufacturing industries. Another group of witnesses, last week, gave us concrete examples. One sector asked that the money invested in research and development be refundable. The unions, on the other hand, said we needed to invest directly in training workers, young or older. No one talked about direct assistance.

Mr. Jean Laneville: That's not what we're asking for. We know it exists. Direct assistance can be provided through tax credits. It's not direct assistance, it's not a blank cheque, but still, it's some support. Tax credits for research and development support the aerospace industry. It's thanks to things like that that we are competitive with Embraer. As for direct assistance, there's a whole range of tax measures that could help the manufacturing industry.

Mr. Massimo Pacetti: My definition of direct assistance is investment. It's a partnership. Even the committee has said that some of the money invested in research and development should be refundable.

[*English*]

Mr. Vinet and Ms. Krassilowsky, Roger Valley asked that you appear. He couldn't be here today.

I'm not sure I understand this aid for municipalities. Is it your feeling the money should go through the federal government directly and have it look at setting up a whole new bureaucracy to give the money through this bureaucracy to you, or should it not be done through the provinces, since they have already...? In Quebec we have development agencies and in northern Ontario you have a development agency as well. So we can get the money to you faster.

Mr. Phil Vinet: In previous programs—in the COMRIF initiative, for instance—I can tell you Red Lake has been zero for four, so that process does not work for us.

So to set up another level of bureaucracy, no, I don't think that's necessary. That's just another layer of onion we're wasting money on. But is there is a better, fairer, more meaningful method of distributing this to those who need it?

Mr. Massimo Pacetti: How's that?

Mr. Phil Vinet: I'm not sure, because I haven't weighed our problems against those of others.

Mr. Massimo Pacetti: That's what we're looking for. We have to either recommend or decide where we want to go with this. We're looking to you for some solutions, because we think the agency or department is already in place, and if not, it should be at the provincial level.

If you speak to anybody coming from Quebec, we don't believe in sending any money directly from the federal government to companies. We had a panel set up on Wednesday, and they agreed it should be done through the provinces. If you're telling me it doesn't work, there's an immediate problem there.

Mr. Phil Vinet: It hasn't worked for us.

Ms. Anne Krassilowsky: I have to correct that. In all truth, the infrastructure deficit is so huge that you can't fund everybody. I understand that. The money has to roll out in a stable way over a number of years to address that whole issue. So if we take time out now to put together a whole new level of something, we'll get further and further behind. Time is passing us by.

I don't say that, but if the criteria is already in place and we haven't seen it, we need to see it and be able to access it.

The Prime Minister came to Dryden, and we were very pleased to host him. It was absolutely wonderful to have the Prime Minister sit at our table with no levels of bureaucracy, face to face, dealing with issues that affect all of us. That was pretty awesome for us.

• (1715)

Mr. Massimo Pacetti: You should get the Prime Minister to deliver you a cheque: "There you go, guys".

Ms. Anne Krassilowsky: We're looking at jobs that need to be done. We're looking at infrastructure that needs to be fixed. There's money out there to do it. If there's a surplus, put that money in place and make it work for us within x number of months. Don't make it take two or three years. We're getting behind every day. We're looking at any kind of energy we can produce.

Where we sit in northwest Ontario, no matter what projects we put forward or how we look to fund them, if we could get them off the ground tomorrow we couldn't get them past the gridlock in Wawa. So where will our projects go?

The Chair: Thank you very much.

Mr. Wallace, you have five minutes.

Mr. Mike Wallace: Thank you, Mr. Chair.

I want to start with the mayors. I was on council for 13 years so I appreciate the work you do. Correct me if I'm wrong, but isn't it against the law for an Ontario municipality to run a deficit? Is it correct that you must have a balanced budget?

Ms. Anne Krassilowsky: Yes, and we do have it balanced.

Mr. Phil Vinet: We do. We just increase the taxes to balance it.

Mr. Mike Wallace: How much debt do you have for your municipalities?

Ms. Anne Krassilowsky: Dryden actually debentures for other people, but we probably have \$5 million. We're well within our ratio as far as debt goes. We have \$8 million that we're hoping to set aside for a waste water treatment plant.

Mr. Mike Wallace: Do you know what that ratio is?

Ms. Anne Krassilowsky: I can't remember, to tell you the truth.

Mr. Mike Wallace: We've had discussions with our friends from the Bloc that we shouldn't be putting money down on debt. But the \$10 billion is actually 2.9% of the \$456 billion we have in debt. I want to make the point that it's much different from what municipalities face in terms of debt load. I was interested in what your municipalities had.

On another question, we've extended the gas tax and made it permanent. How does the gas tax work for communities in the north such as yours? Do you have an area? Is it just your town? I don't understand it. I know how it works in my region of Halton and Burlington.

Ms. Anne Krassilowsky: It helps us with road construction. It helps to keep our Handy-Transit van on the road.

Mr. Mike Wallace: Is it just the money Dryden generates, or do you have a bigger catchment area? How is that money generated?

Ms. Anne Krassilowsky: It comes from our services.

Mr. Mike Wallace: Mr. Vinet.

Mr. Phil Vinet: Likewise, but we're about half the size of Dryden.

Mr. Mike Wallace: How big is that?

Mr. Phil Vinet: We have about 4,500 people.

Mr. Mike Wallace: So Dryden has about 8,200.

You were aware that we extended the gas tax.

Mr. Phil Vinet: Thank you.

Ms. Anne Krassilowsky: Thank you. It's much appreciated.

Mr. Phil Vinet: Every nickel helps.

Mr. Mike Wallace: My last question is for Mr. DesRosiers. He had indicated....

An hon. member: [*Inaudible—Editor*]

Mr. Mike Wallace: Thanks for supporting the budget, boys.

Mr. Ken Boshcoff: I have a point of order on the permanency of the gas tax.

Mr. Mike Wallace: There's no point of order here. Nice try, Ken. You still have a private member's bill to get passed, don't forget.

Mr. DesRosiers, I'm on the auto caucus for us. You indicated that some companies, mostly Nissan, Toyota, and so on, are doing pretty well. The big three North American manufacturers are not doing so well. I have an opinion on why that is. Why do you think one side is doing better?

Mr. Dennis DesRosiers: For the first hundred years of the automotive sector, the entry barriers to competing in automotive were so high that GM, Ford, and Chrysler were largely protected from international competition. In the last 15 or 20 years, those entry barriers have dropped and these global companies have had the capabilities of jumping into the market where they never were before.

If you go back into the 1960s and 1970s, you had three companies that could indeed have 90% or 95% of the market. Today you have at least eight, or perhaps ten, companies that have to share the same market. I don't care how you cut it, it doesn't matter whether GM, Ford, and Chrysler screwed up or didn't screw up, if you have eight companies sharing the market instead of three, the original three are going to be smaller.

The mistakes that GM, Ford, and Chrysler made—and they made many—got them smaller faster; that's all. They were going to be smaller.

They've gone through a three-part process. The first was to resize. That's largely done. They've closed up 3.5 million units of capacity. There might be a plant or two or three left. Unfortunately, one is still left in Canada to be dealt with.

Now they're in the restructuring. They're redoing their labour agreements in the United States; they're redoing their supplier agreements. This fall, they're going to redo their Canadian labour agreements, and Canadian labour is going to have to face the music on that.

Now we're in the earliest stages of reinvesting. GM, Ford, and Chrysler have committed billions, along with Toyota and Honda, to reinvesting in Canadian plants, and many, many billions tomorrow, into the next 10 years. With the climate change agenda forced on them by the U.S. government and with all this restructuring, it's creating a huge amount of capital. These companies will be investing an unbelievable amount of money into two things: new plants for new products, and new technologies to make these products a lot cleaner.

That's where Canada's opportunity is, to make sure we're well positioned from a policy perspective and from a competitive position to get our fair share of investments in the new plants and to get our fair share of investments in all those new technologies that are coming. The amount of investment is going to be three, four, or five times what it has been in the last decade, and we have a huge opportunity to take advantage of that.

• (1720)

Mr. Mike Wallace: I appreciate that. Thank you.

Thank you, Mr. Chair.

The Chair: Thank you very much.

We'll now go to our last questioner, Mr. McKay, unless he doesn't want to....

Hon. John McKay (Scarborough—Guildwood, Lib.): I could go on forever.

The Chair: Go ahead, Mr. McKay. You have five minutes.

Hon. John McKay: Thank you.

Mayor Krassilowsky, it's good to see you again. I didn't anticipate that it was going to be so soon, after a nice visit with Dryden a couple of weeks ago. I think the Prime Minister and I have one thing in common, at least; neither of us had cheques.

But I did want to talk to Mr. DesRosiers about the wage issue that's coming down the pipe. The UAW has given back a huge amount of money to the big three. I would anticipate that Canadian unions, CAW in particular, are going to be under huge pressure to rescind some of their wage gains. I'd be interested in your thoughts as to how you see that playing through on the automotive side.

Mr. Dennis DesRosiers: It's not necessarily wage, but compensation.

Briefly, there are two portions. You have a hard wage and then there's a non-wage benefit—health care, pension plans, and things like that.

Because of the structure of our health care in Canada primarily, but other benefits as well, Canada historically had about a \$25-an-hour advantage over the American competitor in terms of investing in automotive. What our unions did in the last three or four negotiations is they went to the companies and said, "If you want labour peace, you'd better give us some of that advantage." So they did that for particularly the non-wage side of Canadian compensation. That whittled down to the U.S. average, total, all in, wages and non-wage compensation in the United States, at about \$75, and in Canada it was about \$70. So we still had an advantage of about five bucks. It was in the high sixties, maybe \$6 or \$7.

What the UAW did was allow the vehicle companies in the United States to offload all their health care cost to the unions, and that picked up \$18 to \$20. Then there are two-tier wages and a variety of other things. They lowered their compensation from \$75 down to \$50, and we're still in the high sixties. So somebody has to face up to that in terms of competitiveness. Right now, Canada is the highest-cost jurisdiction anywhere in the world for manufacturing vehicles, whereas we used to be competitive with the United States...well, lower cost than the United States.

The problem the CAW faces is that we don't have health care to deal with because health care already is government paid. So where do they find \$15 or \$20? Two-tier wages might give you \$5. Eliminating contract language and all the feather-bedding can go quite far.

When General Motors approached CAW for their new investments in the Camaro plant in Oshawa, without touching wages and compensation, they found \$100 million of cost savings just by eliminating all the feather-bedding the unions had put into the contract.

So is it there? Possibly, but it looks like we're going to have to touch base wage, and if you try to touch base wage, you're looking at war. So get ready.

Hon. John McKay: So you anticipate that this is going to be a rough season—

Mr. Dennis DesRosiers: It's going to be real rough, and so far the unions—obviously there's a political side to the unions that's showing its face and kind of carrying the day. There's a non-political side, where these labour union leaders in automotive are some of the smartest anywhere in North America. You would expect them to try to find a way through this that could benefit everybody. But it's going to be very nasty.

Hon. John McKay: Mr. Hargrove might take a bit of an exception to that.

Mr. Dennis DesRosiers: Well, Mr. Hargrove is going to blame Korea. Unfortunately, it's not the fact that the Koreans aren't buying Canadian cars; it's the fact that Canadians aren't buying his cars.

So you can do anything you want about Korea. They don't buy big gas guzzlers in Korea, and that's what we make over here.

Hon. John McKay: I wasn't referring to Korea, but your point is well taken. I think Mr. Hargrove might take exception to your characterization as feather-bedding.

Second question, while—

• (1725)

Mr. Dennis DesRosiers: He took me off his Christmas card list many, many, many months ago.

Hon. John McKay: Well, I'm off the Prime Minister's Christmas card list, too, so I think we're a pair.

An hon. member: We'll get you a card.

Hon. John McKay: These guys can get an in-and-out thing going.

The president of Ford said recently, and I believe I'm sort of roughly correct in the quote, that to put a plant into Ontario is about

\$800 million, into Tennessee about \$450 million, and into China, \$160 million. What's your view on that?

Mr. Dennis DesRosiers: Boy, I don't know where he came up with those numbers, but numbers along those lines are all over the map. You can easily spend \$1.5 billion on an assembly plant in any of those jurisdictions. China is probably the least expensive, but China is a completely different entity. Realistically, Chinese vehicles aren't going to come to North America for a long, long time.

We're competing with the U.S. for investments. You've got to look at U.S. jurisdiction to Canadian jurisdiction. On most accounts we're not that bad, with the exception now of the labour front. So when you actually get into all those other competitiveness issues that companies look at, most of the U.S. states' locations fall behind Canada.

Now we've got to deal with the labour one, and that's going to be the warfare we have this fall.

Hon. John McKay: You take the view that—

The Chair: I want to thank you very much for coming in as witnesses. He can get that question in afterwards on his own.

I do want to bring one more thing up to the committee, but I did want to formally thank the witnesses for their presentations. They were very good. The questions and answers gave us some good insight into the industry and the problems it's going through, and also the opportunities that are perhaps before you at the same time.

With that, I want to just let the committee know that we have a request from a delegation through the Canada-China legislative strengthening program, the parliamentary centre. They're asking us to meet. They're here trying to study our democratic process, and they would like to talk to the finance committee. April 3 would be the ideal time, which is the Thursday of the first week back. I'll leave that with you, unless there's a decision here that that's okay.

Mr. Mike Wallace: Separate?

The Chair: It would be a separate meeting in the morning, say 10 o'clock to 11:30, something like that. Would that work?

I'll leave it with you. We'll bring it back again on Wednesday.

Thank you very much.

Time is gone. The meeting is adjourned.

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