



House of Commons
CANADA

Standing Committee on Industry, Science and Technology

INDU • NUMBER 014 • 2nd SESSION • 39th PARLIAMENT

EVIDENCE

Tuesday, January 29, 2008

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Chair

Mr. James Rajotte

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•(1105)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I want to welcome everyone back after their parliamentary break.

We are continuing with our study of the service sector here in Canada. This is the 14th meeting of the Standing Committee on Industry, Science and Technology. Pursuant to Standing Order 108 (2), we are doing a review of Canada's service sector.

We have with us today five organizations. From the first organization, the Canadian Council of Chief Executives, we have the executive vice-president, Mr. David Stewart-Patterson, and the vice-president of economics and international trade, Mr. Sam Boutziouvis.

The second organization is the Canadian Co-operative Association. We have the executive director, Ms. Carol Hunter, and we have the director of government affairs and public policy, Mr. John Anderson.

The third organization we have is the Canadian Services Coalition. We have the Honourable Sergio Marchi, the chair. Welcome.

The fourth organization is the Conseil canadien de la coopération. We have Madame Brigitte Gagné, the executive director.

Last, from the Toronto Association of Business Improvement Areas, we have the vice-president, Mr. Michael Comstock.

Because of the number of witnesses we have today, we are limiting the opening statements to five minutes from each organization. We'll go in the order in which I have outlined them, so we will start with Mr. Stewart-Patterson.

You can start with your presentation. You have up to five minutes.

Mr. David Stewart-Patterson (Executive Vice-President, Canadian Council of Chief Executives): Thank you, Mr. Chair. I appreciate the opportunity to appear this morning.

When we talk about the service sector, we're covering a vast range of work, three-quarters of the jobs in the economy. With your permission, I'm going to focus my initial remarks on two areas in which we've done specific research into what it takes to compete for highly skilled and well-paid work, two specific kinds of service jobs, if I can put it that way: those involved in head offices and those involved in research and development.

The head office subject came to the fore last year with the highly publicized foreign takeovers of major enterprises, which led to fears

in some quarters of the hollowing out of Canada's head offices. Obviously—we're a CEO-based organization—what happens to head offices matters a great deal to us as well as to the well-being of all Canadians, and we decided to dig a little deeper into the specific issue of head office jobs.

The first point I'd make on this front is that where a company's shares are owned doesn't necessarily determine where it decides to set up centres of high-level decision-making. Many Canadian subsidiaries of foreign-based multinationals function as centres of leadership for North American and global responsibilities. By the same token, Canadian-based companies, as they expand abroad, tend to set up centres of expertise in other countries and recruit talent globally. In other words, Canada has to compete to be a preferred location for these kinds of jobs, within Canadian and foreign firms alike.

We did a detailed survey of our CEO members last year and particularly looked at how companies decide where to set up head-office-type operations. The responses indicated two dominant drivers in this respect.

First is tax policy. The economic evidence on corporate tax policy has been clear for years: high corporate taxes in a global economy don't pay. This is a critical issue for companies in the service sector, because Canada's current corporate tax structure is heavily biased against services. Given the current crisis in manufacturing, it's obviously understandable that we want to focus in the short term on how to retain jobs in that sector. But we are going to be counting on services, moving forward, to provide the bulk of our future job growth, and our tax system actively discourages investment in this area.

I think the C.D. Howe Institute has noted that Canada has the second-highest marginal effective tax rate in the world on business investment in the service sector, behind only the United States. It's important to note that even higher-tax jurisdictions, countries such as Sweden, understand the importance of this. Even though Sweden has an overall tax burden that's much higher than Canada's, its effective tax rate on business investment is 42% lower than Canada's and its effective tax rate on investment in services is less than half of Canada's current rate.

When it comes to attracting head office jobs, personal tax rates also matter. Individuals think about a lot of things when they're deciding where to move and where to live with their families. But the fact is that people with high incomes who can earn high incomes anywhere in the world have a lot of choice and certainly focus on what their money buys after taxes.

The C.D. Howe Institute, in its submission to the Competition Policy Review Panel, noted that policies that enable companies to pay high gross incomes, and personal income taxes that leave a larger share of those gross incomes in the pockets of the people who earn them, are a key source of competitive advantage for a jurisdiction that seeks high-value business activities.

There is a second, very different issue that also has a huge impact on where to locate head office jobs. The fact is that senior executives at large companies have to travel a lot. They have to manage their operations; they have to build relationships with customers; they have to deal with investors. The reality for growing Canadian companies is that many of those employees, customers, and investors don't live in Canada; they live in the United States and beyond. Basically, the time it takes to travel to see those people has a major role in determining where a given executive wants to be located.

At one level, that reinforces the importance of basic infrastructure, such as good airports. But the broader issue for Canada is the efficiency of the Canada-U.S. border. We've been working hard since September 11, 2001, to ensure that our neighbour's understandable focus on its own security doesn't impede legitimate traffic across the border for people or goods, and our organization has been actively involved in the work of the North American Competitiveness Council to try to make the border less of a barrier.

We are concerned that the border is getting more difficult to cross, rather than easier. We're particularly worried about the implementation of the western hemisphere travel initiative, which of course is scheduled to include a requirement for a passport at land crossings by mid-2009. That seems likely to make border delays worse.

The fact is, a Canada-U.S. border that creates regular delays for business travellers provides a powerful incentive for top executives to live on the same side of the border as the bulk of their customers, their investors, their operations. For expanding Canadian companies, that increasingly means, when looking at where to set up shop for North America, that this basically provides a powerful incentive to locate south of the border rather than north of the border for key head office functions.

• (1110)

Before I close, Mr. Chair, let me address the other source of high-value work that I mentioned at the outset: research and innovation.

We know that business investment in innovation is a fundamental driver of a more competitive and prosperous economy, but by at least one key indicator, business expenditure on research and development, our record is mediocre at best. We therefore launched, last year, a joint project with Industry Canada to dig deeper into this issue. We started with a CEO-level survey that essentially asked what it is that enables and encourages companies to do as much research and innovation as they do and what discourages them from doing more. We also asked what matters most when their company is deciding whether to do research in Canada or somewhere else and how Canada stacks up on those factors.

The survey confirmed that intense competition is the key driver of innovation. But its evaluation of Canada's strengths and weaknesses was rather sobering. The CEOs who responded applauded Canada's

strong pool of talented people and its high quality of life, but it pointed to two key weaknesses: the regulatory environment and the treatment of intellectual property, which effectively is the true currency of the knowledge economy. They also rated these two factors as the ones that matter most when companies decide whether to invest here or somewhere else.

The result is stark. When they were asked about their company's intentions for investment and innovation over the next three years, most said their investment would remain flat in Canada, and for companies that were planning to increase investment in innovation substantially, the bulk of that innovation expenditure is going to take place outside Canada.

The Chair: Okay.

Mr. David Stewart-Patterson: I think that does actually conclude my remarks, Mr. Chair. Thank you very much.

The Chair: Thank you very much, Mr. Stewart-Patterson.

We'll now go to Ms. Hunter.

Ms. Carol Hunter (Executive Director, Canadian Co-operative Association): First of all, I would like to thank you very much for this opportunity to present before the committee.

The Canadian Co-operative Association is one of two umbrella or apex organizations that represent cooperatives and credit unions across Canada. Our sister francophone organization is the Conseil Canadien de la Coopération, which is presenting here today.

The cooperative sector in Canada today is made up of over 9,000 cooperatives, both financial and non-financial. It employs over 170,000 people and has assets of over \$260 billion. The sector has some \$18 million individual memberships, representing at least \$13 million Canadians. This means that four in ten Canadians are members of a cooperative.

The cooperative model is one of economic democracy. Each co-op is owned by its members and is governed by the principle of one member, one vote. The Canadian Co-operative Association represents 34 member organizations, including the provincial credit union centrals, the cooperative insurance sector, the consumer cooperative sector, as well as the agricultural, housing, health, and worker cooperative sectors. In 2009, we will be celebrating our 100th anniversary.

It is particularly appropriate that we are here today as most of the more than 9 million cooperative memberships that CCA represents are found in the service sector. While there are some 10.8 million credit union memberships across Canada, over 5 million are part of the credit union network represented by provincial credit union centrals and the Credit Union Central of Canada. The assets of these credit unions have risen 10.8%, year over year, to reach \$102.4 billion as at the third quarter of 2007. Another of our members, the Co-operators Group, is the largest multi-product, Canadian-owned insurance company, with assets of over \$7 billion and over 4,100 employees.

We have several members in the consumer cooperative sector, including Co-op Atlantic, the United Farmers of Alberta, and GROWMARK. Our largest member, Federated Co-operatives Limited, is owned by 275 individual cooperatives and had sales in the order of \$5.8 billion in 2007. Mountain Equipment Co-op, with some 2.7 million members, is now the fourth largest polity democratic voting entity in the country after Canada, Ontario, and Quebec.

The Canadian housing cooperative federation represents some 2,200 housing co-ops and some 250,000 people who live in cooperative housing across Canada. There are more than 500 co-op child care centres run by some 35,000 parents. In Saskatchewan, cooperative community health clinics have existed since the 1960s, and they provide a community-run alternative to medical services delivered by the state or the private sector.

In the service sector, the cooperative model already provides opportunities in terms of jobs and business solutions to many Canadian communities. We believe that starting and encouraging new cooperatives to deal with many of our most important economic and social issues is a policy tool that is underused by the federal government and by many provincial governments.

In our campaign to renew our major partnership program with the federal government, the cooperative development initiative, we have outlined eight possible areas where the cooperative model could help the federal government deal with policy issues, from economic development in challenged communities to the integration of immigrants in Canadian society. We also believe, as we have indicated in two presentations last year to the Senate committees on urban and rural poverty, that the cooperative model is an excellent tool in helping us to make poverty history in our very rich country.

Over the last years we have had a spate of major foreign takeovers of national economic icons. Cooperatives have a major positive advantage in dealing with this issue because they are directly owned by the residents of these communities. In many inner cities, and also in rural communities, cooperative stores still remain while other supermarket stores have left. Credit unions are now the only financial institution in some 900 communities in Canada.

Cooperative ownership assures that the profits are transferred right back to the members in the form of patronage dividends. This year alone, federated cooperatives will be returning over \$450 million in patronage dividends to local member retail cooperatives.

As part of the co-op principles, concern for community means that co-ops also contribute back to their communities in other investments. Credit unions gave back some \$34.7 million in 2006 in the form of donations and contributions to community economic development; the Co-operators Group allocated \$3.5 million in 2006 into community projects; and Mountain Equipment Co-op put 1% of its sales, or \$2.4 million, into climate change projects in Canada.

• (1115)

A study by the Quebec government showed that cooperative businesses tend to last longer than other businesses in the private sector. More than six out of ten cooperatives survive more than five years compared with almost four businesses out of ten for the private

sector. Close to 100,000 individuals volunteer their time in helping manage the co-ops by sitting on boards and committees.

In closing, there are two areas in which cooperatives particularly need government assistance. The first one is assistance in getting started. Once they are up and running, co-ops can fend for themselves and do not require ongoing regular government support. Small help, in the form of renewing and expanding the cooperative development initiative, which we have mentioned and which is a five-year program that ends March 31, 2008, is one important way.

The second need is for capital. As cooperatives often have more difficulty raising capital in their initial development phases compared with investor-owned businesses, we would like the federal government to bring in a cooperative investment plan, such as exists in Quebec, which gives tax credits to members who invest in agricultural or worker co-ops.

Both of these programs can help the co-op model play an even larger and more important role in delivering services to Canadian people.

Thank you very much.

The Chair: Thank you very much, Ms. Hunter.

We will now go to the Canadian Services Coalition.

Before I ask Mr. Marchi to begin, I should introduce Shirley-Ann George from the coalition. I forgot to do so. Welcome.

Now, Mr. Marchi, we'll have your presentation, please.

Hon. Sergio Marchi (Chair, Canadian Services Coalition): Thank you, Mr. Chairman.

The Canadian Services Coalition would like to thank you and members of the committee for their invitation this morning. In that regard, we have submitted a brief paper for the committee. I'll be speaking in terms of some overview remarks. I'm joined, as you noted, by Shirley-Ann George, who is the executive director of the coalition.

We also applaud the committee for its efforts and leadership in reviewing the vital importance of the service sector to the Canadian economy. We're confident that your final report will be as thorough and play as key a role as did your reference and report on Canada's manufacturing sector.

The coalition is a relatively new membership-based organization with a mandate to provide a strong and cohesive voice for the Canadian services industry. Our mission, in essence, is to seek the liberalization of service markets across the world as well as the removal of trade and investment barriers within our country itself.

As the committee is acutely aware, the Canadian economy is in the midst of a major transition, generally from one of production and manufacturing to one of services and ideas. To be sure, manufacturing will continue to be a pivotal source of economic opportunities in our national economy, but at the same time we have to also take hold and note of the recent trends, not only in our country but in economies around the globe.

A few statistics really paint the tale. Services are responsible for almost 70% of our national GDP. As of last January, they represent roughly 76% of all jobs in Canada. For the last 15 years, or thereabouts, almost 80% of new jobs were created in the service sector. At the same time, services account for only 13% of Canada's exports, with 60% of those flowing to the United States.

The economy will continue its transition, and therefore it's important for the Government of Canada to develop a service sector strategy. Given the vast scope of the service sector, something that was mentioned previously, a multifaceted approach would provide the best framework.

Among other things, a coherent service strategy would seek to develop skilled human resources, open markets that trade in investment and services, create innovation policies for the service economy, promote entrepreneurship, adopt flexible labour laws, and create a tax environment to support the service sector.

Given the diverse nature of the service industry, many of the benefits that flow from that sector are difficult to quantify and measure. However, many services bring with them a host of intangible benefits that often escape typical statistical measure. For instance, telecommunications ensure that information and knowledge are efficiently and economically disseminated; transportation enables the efficient distribution of goods; and business services, such as accounting and legal services, are essential in reducing transaction costs.

It's also noteworthy to add that services have a positive impact on the competitiveness of the manufacturing sector. Just last year, the OECD put out a report that essentially confirmed that fact. They found that the availability and quality of producer services, defined as services that enter directly into manufacturing firms as production and cost functions, can form the basis of comparative advantages in service-intensive manufacturing sectors and facilitate manufacturing firms to move up the value-added chain.

In terms of Canada's economy, it's clear that services are playing an increasingly important role. At the same time, they reflect and impact on the competitiveness of our economy. I would also suggest that the development of a service sector also impinges directly on the quality of life citizens have, not only in our country but in countries around the globe.

In the paper we submitted we offered seven recommendations for the consideration of the committee, and because of time I'm not going to go through them all. If I can, I'd like to quickly highlight three of them.

The first is the need to reduce barriers. In short, the key for Canadian services export growth is ensuring that our offerings are world-class through open and fair competition. By working to assist emerging market economies to reduce their barriers, Canadian

service providers will be given new opportunities. Therefore, the Government of Canada, through its multilateral and bilateral negotiations, should endeavour to eliminate the non-tariff barriers that are currently inhibiting the trade of services to ensure that new opportunities arise and that all countries can take advantage of the benefits that are attributed to services.

• (1120)

This also applies to our internal trade barriers within provinces. The point here, Mr. Chairman, is that the government will hopefully continue, and redouble, its efforts to bring down the barriers between our jurisdictions that inhibit economic activity.

The second recommendation is in statistics gathering. Clearly services are much tougher to trace and document than goods. A truck of widgets crossing the Windsor-Detroit border is one thing; legal services crossing that border are something else. We hope your committee can encourage Statistics Canada to try to collect and disseminate better service-related data so that government will have a better foundation with which to cement future policy and trade negotiation strategies.

Our sister organization to the south, for example, has put out a report, which we provided to the chairman, that allows a breakdown state by state and by congressional district of services, by company, sector, and GDP, which I think can be a very, very useful legislative and government tool.

I see that my time is coming to an end, Mr. Chairman.

• (1125)

The Chair: Unfortunately, it is, Mr. Marchi, but you will have time during question and answer session to—

Hon. Sergio Marchi: The third recommendation would be to try to facilitate a good WTO outcome. But I'll wait for the question and answer period to get into that.

The Chair: I'm sure someone will ask you about that.

Thank you very much, Mr. Marchi.

We'll go now to Madame Gagné.

[*Translation*]

Mrs. Brigitte Gagné (Executive Director, , Conseil canadien de la coopération): To begin with, I'd like to thank the members of the committee for having invited the Conseil canadien de la coopération to come and present on the impact of French-language cooperatives on the services sector in Canada.

The Conseil canadien de la coopération is a tier-four national organization representing cooperatives. For the past 62 years it has focused on representing French-language cooperatives in Canada. It is comprised of eight regular members which are provincial councils representing 3,500 French-language cooperatives and membership organizations, has a turnover of \$19 billion, comprises 8,860,000 individual members and creates over 100,000 jobs throughout Canada.

I should point out that cooperatives are member-owned enterprises, which stimulate and protect the local and Canadian economies. In fact, one out of every three people in Canada is a member of a cooperative. The cooperative model may be found across all of Canada's economic sectors.

What is the concrete impact of service sector cooperatives on Canada's economy? I've tried to find examples to give you a clearer appreciation of this impact.

For example, Desjardins is the largest cooperative financial group in Canada. It comprises 5.8 million shareholding members; has 40,000 employees; is Quebec's top private sector employer and one of the top 20 in Canada; has assets to this day totalling \$147 billion and surpluses, before dividends, totalling \$988 million. In 2006, Desjardins paid out over 547 million dollars' worth of dividends to its members.

There are over 90 French-language health services sector cooperatives in Canada. This is a completely new market niche which is being developed. These cooperatives specialize mainly in prevention, i.e. home care services and service delivery. Twenty-one of these cooperatives provide services in traditional or alternative medicine. For example, there is the Aylmer Health Care Cooperative located in Gatineau, right near here, which opened in 2001. Over 8,500 Gatineau residents are members of this cooperative.

Child care services are also a burgeoning sector. There are over 500 French-language cooperatives providing services to more than 140,000 members in Quebec alone.

There are about 30 funeral services sector cooperatives with approximately 100 branches, which provide assistance to families in mourning, regardless of their budget. I should point out that in areas where this service is available, cooperatives handle over 90% of deaths. They hold a 13.7% market share and assets of over \$125 million.

There are approximately 250,000 individuals living in 2,100 housing cooperatives, and occupying 91,266 cooperative housing units Canada-wide. Housing cooperatives provide housing services in a community-based democratic environment.

The sector is strengthened by our collaboration on many files with our anglophone wing, the CCA—whose demands this morning I will not repeat—but also the fact that cooperatives belong to their members, Canadians. Cooperatives cannot be sold off to foreign interests in the way our major corporations have been lately. One only has to think of Alcan and the Hudson Bay Company.

Cooperatives empower communities to find their own solutions to their own problems, whether in relation to economic development, the environment, health care services, new arrivals, and aboriginal persons. Cooperatives are a viable, resilient, flexible, and adaptable instrument in the face of the diversity which characterizes the communities they serve.

The cooperative sector is facing many challenges with regard to coordinating and strengthening many aspects of its work, not the least of which is compiling statistics for individual sectors and populations. This is a major challenge for the cooperative sector. We

believe that Statistics Canada could be of much assistance in this regard.

There are other challenges including demographic changes, business succession plans, and youth. Cooperatives often step in when businesses are failing but they're also an important tool for our youth enabling them to build a future in their own image. Developing members' sense of belonging, finding ways to meet the needs of an aging population, finding creative ways of becoming more open to difference, these are all challenges when it comes to raising awareness.

• (1130)

Capacity development and developing and fostering cooperative attitudes is another challenge. Capacity development is a daily challenge: it involves building knowledge and experience on the ground in order to better meet challenges, including globalization.

Moreover, for the CCC, the francophone cooperative sectors' identity is one of its key preoccupations. Cooperatives have traditionally been institutions which have helped, and which still help today, several French-language minority communities to live and to work in their mother tongue. The lack of support for these cooperatives has a serious impact on the decline of these francophone communities outside Quebec.

Funding these cooperatives is also a major challenge. In a market characterized by competition world-wide, funding is crucial, especially for labour cooperatives and small cooperatives of producers. A cooperatives development fund would be of great assistance in this regard.

Another form of assistance would be a cooperative investment system like Quebec's, offering tax credits for workers who choose to invest in their cooperatives. Since 1984, \$393 million has been invested in cooperatives in Quebec. We estimate that this would cost roughly \$20 million if such a measure were to be implemented nation-wide.

Research and innovation are also, of course, challenges faced by cooperatives, as is cooperation and partnership.

I'll now turn to what we expect or to what the federal government could do to assist cooperatives. I don't want to repeat the demands made by Carol earlier. I would add, however, that the government must explicitly recognize the importance of the cooperative movement in the economic development of communities. It must do this by getting involved in the work of cooperatives, by compiling new statistics on the impact of the sector and by transferring responsibility for the cooperative sector from the Department of Agriculture to another department, which may be in a better position to more adequately represent the great diversity of cooperatives' interests.

[English]

The Chair: *Madame Gagné, merci beaucoup.*

We will now go to Mr. Comstock, please.

Mr. Michael Comstock (Vice-President, Toronto Association of Business Improvement Areas): Thank you very much, Mr. Chairman.

As the only non-national-based organization to speak today, the Toronto Association of Business Improvement Areas is pleased to bring you our perspective. TABIA represents 25,000 small businesses—main street businesses, mom-and-pop stores—in over 63 neighbourhoods, BIAs, within Toronto. There are three topics for consideration: the change in main street retail; marginal stores and McJobs; and supporting the cities.

Toronto is a city of many neighbourhoods. The condition of our main street retailers reflects the health of the residential streets around them. The neighbourhood merchant offers a green alternative to driving to power centres with acres of free parking. We are resilient, thrifty, and creative, so there are many successes. Neighbourhood BIAs try to recruit certain types of retail that provide the diversity needed to protect their marketplace, and small retailers are quick to adopt environmental and energy-saving technologies.

Successful retail neighbourhoods include a clustering of stores of similar items, such as boutiques and hand-crafted or specialty items; professional services, which used to be located upstairs and are now in storefronts; and local family restaurants or coffee shops. These form the typical successful retail strips, and I hope you live near a successful neighbourhood retail strip.

I'm sure you all understand "Wal-Martization" and the massive change in retailing this has brought. I worked with others in the downtown to halt the construction of a big-box retail store on the waterfront in 1999, and this gave me an insight into the impact of change that big-box retail has brought to our city. 75% of the retail dollars are now spent in big-box power centres, malls, and chain stores.

Mom-and-pop stores and the boutique neighbourhood merchants are under colossal pressure. The massive change in retail has left the main street businesses with a whole lot of outmoded, old-style, commercial architecture. In a number of cities we are over-stored. We're locked into an architectural structure that is not well suited to compete in today's retail, large-scale format with small profit margins.

So here we are with some successful strips and a lot of old storefront architecture no longer suited for retail. We'd like to see the federal government look at this issue. There doesn't seem to be acknowledgement of this displacement—no urban planning schemes, no programs to consolidate property, and no property tax breaks for the little guys. If you survive long enough to sell the shop—the merchant's dream retirement—the sale is capital taxed to death. We understand there is some difference with farm sales. There's no unemployment insurance if you go out of business, and you've already lost your investment. I don't know of any retraining programs for self-employed merchants.

In Toronto we're experiencing punishing tax bills. A small commercial store assessed at \$300,000—that's under 900 square feet—must pay \$14,000 just in annual property taxes. To make \$14,000 you have to sell a lot of sushi just to pay the rent. We feel the city is reducing its own tax base in this switch of retail format. It's our impression that the new retail format pays less property tax per square foot, employs fewer people per dollar sale, and rarely becomes involved in the local social issues or marketing efforts.

Marginal stores and McJobs are the not-so-pleasant side. Store vacancies, chain stores, and other marginal businesses fill in storefronts in poorer retail strips. Many storefronts are more valuable for residential use than business. Marginal stores provide just wages to those who work in them, and they're fragile.

Many marginal stores are often chains earning the employees wages and a few dollars more for the owner of the chain. So if you have 10 marginal stores you might make a success of it. Each of these marginal stores, however, offers little payback or involvement in the neighbourhood. On the other hand, an owner-operated neighbourhood business is often personally involved in the social life of the area.

In supporting cities, strong cities make a strong country. One of the reasons tax bills are so high is the poor funding of cities where most Canadians now live. The municipality is a child of the province, but the child is living in poverty. We must look at the federal government to develop direct ties to our cities.

Maybe equalization and other transfers could be directed to urban infrastructure. Toronto's social services are mandated by the province but not funded. The city is awash in people begging and sleeping on the streets, which crushes tourism and the people's own self-respect. It would be very helpful if the government would explain how the Charter of Rights and Freedoms prevents us from intervening, even with medical and social assessments, when people choose to sleep on our public sidewalks.

Looking at this problem, which is killing tourism in the downtown, we find there are no job programs for these homeless people and the poor or elderly, and no housing initiatives. I have recently heard of a homeless partnering strategy that was announced last spring, but I haven't seen a sign of it.

● (1135)

Employing a shelter person or any poor person in local retail could be freed from the added cost of workmen's compensation, EI payments, and the paperwork that implies to the mom-and-pop store. Many low-income urban residents have no alternative but to work under the table or beg. Youth with parents on welfare must hide their income under the table or they see their mother's cheque reduced. These people should be supported with specific government employment programs.

Lastly, many of our merchants talk about GST as a problem every day at the till—its visibility, I guess.

These are some of the main street problems the federal government might address. Thank you.

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

I thank all of you for your presentations. We'll now go to questions from members. The first round will be six minutes. The second round and all rounds subsequently will be five minutes. So members do have a very short period of time to ask questions. Typically they direct them to one individual. If anyone else on the panel would like to respond, please indicate that to me and I will ensure that you get an opportunity, but I ask you to please keep your answers very brief so that they can get in as many questions as possible.

We'll start with Mr. Simard, please.

Hon. Raymond Simard (Saint Boniface, Lib.): Thank you very much, Mr. Chair, and thank you for being here this morning.

My first question will be addressed to Mr. Patterson, but if anybody else would like to add to it, that would be fine as well.

Almost every group that has come here, Mr. Patterson, has indicated its concerns about the future labour shortage. I know you mentioned it as well.

I believe we had some witnesses here from IBM and Microsoft who indicated that within the next short period of time, they will need 25,000 employees, and all they can see in the pipeline is 8,000 people coming up. I know you spoke of tax cuts or a different tax structure. That's maybe one solution, but it's certainly not the only solution. It doesn't work in every case.

When we're competing for this qualified labour with India and other countries now, how do you see the government's role in ensuring an adequate supply of labour, and what do you see as the corporate role in ensuring an adequate supply of labour?

• (1140)

Mr. David Stewart-Patterson: I think on the government side, what it indicates is that we need to focus in two areas. First of all, we have to do everything we can to enable every single Canadian to achieve his or her full potential, and that takes us into areas like education, like training, issues that are not just federal in jurisdiction but that are a national problem. I think this is an area where we've always felt that government has a moral responsibility to make sure that no Canadian is left behind. This is becoming an economic imperative as well.

So developing the talent we have in this country already is the first line of policy priority.

I think the other one is that we've always been a country that depends on immigration as a source of talent, as a source of labour, as a source of citizens, and the fact is we can't count on attracting the degree of immigration we've had in the past, even though we need it more. So I think we have to be much more aggressive at the government level in terms of marketing to potential immigrants, encouraging people to come here, and certainly enabling employers to recruit and bring people into this country more easily when there are jobs to be filled that we can't find people for. And we need to do a much better job of helping people when they get here. Once they have moved into our communities, we need to make sure they are able to integrate into the economic mainstream as quickly as possible. This includes a whole range of community-based as well as national and provincial policies.

Hon. Raymond Simard: And the corporate responsibility?

Mr. David Stewart-Patterson: Well, I think on the corporate side the market has its impact. The fact is, as labour becomes harder to find, as you can't find the people with the skills you need, you do whatever you have to do in order to recruit the people you need to train them. So as we move into a chronically labour-short economy, you're going to see business investment on the training side, in particular, increase correspondingly.

[*Translation*]

Hon. Raymond Simard: I'll make my remarks to the representatives from the cooperative sector. I, just like many people, really appreciate the fact that small villages in Manitoba, like the village in which I was born, for example, still have a credit union, despite the departure of the Royal Bank and the Banque de Montréal.

Recently, the issue of major bank mergers has come to the fore. Do you have an official position on mergers between major banks?

Mrs. Brigitte Gagné: The Conseil canadien de la coopération has no official stance regarding that type of business practice. However, I think you should ask the people from Desjardins what they think.

In the case of Desjardins, the problem isn't really what you call mergers in English, but rather the ability to provide services to communities which are deteriorating because of a lack of services in French.

[*English*]

Ms. Carol Hunter: I would add to the point about the role of companies and making labour in communities... The aboriginal population is our fastest growing population here in Canada. I would cite the example of Arctic co-ops in the north. Many of the leaders in the Nunavut government got their first experience in skills training and in democratic decision-making in their local co-op in a local, remote community. For that particular population in Canada, the cooperative model is very relevant.

Hon. Raymond Simard: Thank you. I appreciate that. I'm from Winnipeg, so it's very relevant.

[*Translation*]

Ms. Gagné, you mentioned that cooperatives should perhaps be the responsibility of another department other than the Department of Agriculture. That's an interesting idea. Years ago, when one thought of cooperatives, one immediately thought of agriculture, but nowadays, there are credit unions, and very important financial institutions. In light of this, wouldn't Industry Canada be a good choice?

Mrs. Brigitte Gagné: That's possible, but clearly we're looking for a department which is able to represent the current diversity among cooperatives. We're not only limited to agriculture: we represent every sector. You need to understand that if you're talking about health care cooperatives with people from the Department of Agriculture, given that department's mandate, the reception is not going to be nearly as warm as in another department.

Hon. Raymond Simard: Doesn't it seem logical that Industry Canada would play that role?

Mrs. Brigitte Gagné: I think so, yes.

Hon. Raymond Simard: Thank you.

[English]

The Chair: You have about 15 seconds.

Hon. Raymond Simard: It's okay.

Thank you.

The Chair: Thank you, Mr. Simard.

We'll go to Madame Brunelle.

[Translation]

Ms. Paule Brunelle (Trois-Rivières, BQ): Good morning, ladies and gentlemen. My question is directed to anybody who would care to answer it.

You're aware that an unprecedented crisis is affecting the manufacturing and forestry sectors, especially in Quebec and Ontario. In Quebec, in 2007 alone, 50,000 jobs were lost.

I'm wondering what effect this major crisis will have on service sector businesses. And I'm thinking in particular of small concerns in small communities such as the paper mill in my riding, Trois-Rivières, where quality jobs are being lost. How able are you to support the services sector and in turn the local economy?

• (1145)

Mr. John Anderson (Director, Government Affairs and Public Policy, Canadian Co-operative Association): I'll answer part of your question.

We're currently looking at the possibility of employees buying a number of plants which have closed. We're undertaking a joint project with the Canadian Labour Congress in the Prairies. What we need to work out is whether employees, or even the entire community as a whole, can buy factories that have shut down. I think that the cooperative model might be helpful in such circumstances. In many cases, this type of solution isn't even considered. And I think that with the current situation, we have an opportunity of seeing the cooperative model as a way of dealing with plant closures.

Ms. Paule Brunelle: Does anybody else want to make a remark?

[English]

The Chair: We'll go to Mr. Marchi.

Hon. Sergio Marchi: I would just like to say that while some of those sectors are going through some very difficult and trying times, it's not to segregate manufacturing, necessarily, from services.

As we quickly pointed out, that OECD report quite tangibly noted that a better service sector can improve the efficiency, the effectiveness, and the competitiveness of manufacturing. So the service sector, rather than just being a sector in and of itself, is also a barometer, if you will, of how productive and competitive the entire economy is. I think it should have an integrated policy as well, as opposed to looking at these sectors in segregated silos, if you will.

Mr. Sam Boutziouvis (Vice-President, Economics and International Trade, Canadian Council of Chief Executives): I'd just add, Ms. Brunelle, that yesterday CIBC World Markets released a jobs quality report on the year 2007, reporting that the quality of jobs actually increased versus those in the previous year by a record amount not seen since 1999. In 2007, 132,000 jobs in the manufacturing sector were actually lost; however, more than

400,000 high-paying jobs, at least according to this report, were created in 2007—a 3.6% increase—versus low-paying jobs, which were obviously also cut back by about 1.2%.

So the point is that the economy seems to be able to create high-paying, good jobs in a variety of sectors, and in fact wages are rising, and have risen dramatically in the year 2007, contributing even more to this perception of a higher-quality job market in the Canadian context. This is despite the fact that you have intense pressures related to a number of reasons, a number of factors—including the dollar, global competition, and the housing crisis in the United States—that have obviously exacerbated a very difficult situation in forestry and manufacturing.

[Translation]

Mrs. Brigitte Gagné: In Quebec, the Fédération québécoise des coopératives forestières is conducting a great deal of research and development in value-added sectors, in other words forest-derived products which may eventually be useful in setting up forestry cooperatives. And this is in addition to what is currently occurring in the Prairies.

Ms. Paule Brunelle: I agree that we need to create different and good quality jobs. I'd like to come back to what Mr. Stewart-Patterson said earlier. He indicated that investment in research and innovation has dropped. And in my opinion, that's a problem. Shouldn't we be lobbying the government and getting them to invest more in research and innovation?

Furthermore, my colleague referred to the difficulty attracting prestigious candidates. One example of this is in the research field where it's becoming difficult to recruit top researchers. We need high-level development research and we need to be able to offer these researchers competitive salaries. These top researchers are the equivalent of the top-scoring hockey champions: they're people that we need to pay really well. In Canada, we have to make sure we don't let our economy fall apart at the seams. So we need to work in the fields of research and innovation. I don't know whether you have an opinion on this topic.

• (1150)

[English]

Mr. David Stewart-Patterson: Perhaps I can address two points.

I would agree with you, and certainly one of the questions we are trying to dig deeper into is what really matters if we want businesses to invest more in research and development.

The initial stage of the project we've done with Industry Canada suggests that there may be broad policies that would help to encourage more investment across the board. Some of that, for instance, deals with tax policy and the scientific research and development tax credit, whether improving that would help across the board. But I think it's also shown already that there are very specific sectoral issues that determine research and development expenditures. I think that's probably the next stage of our work—to dig deeper into what makes a difference at the sectoral level. There are some obvious things.

In Quebec, the pharmaceutical sector is very strong as a driver of research and development, but there are specific issues on that front dealing with intellectual property rights and with regulatory approval processes that are within government's control that clearly would make a difference if governments want to encourage more.

The Chair: Okay. Thank you. *Merci*.

We'll go now to Mr. Carrie, please.

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

I want to thank all the witnesses for being here today. I want to say how pleased I am that we are doing this study on the service sector.

You mentioned, Mr. Patterson, that there was a bias against the service sector. It almost appears to me that it's worse than that; it's almost like you've been ignored. Nobody has really looked at this before. I'm really pleased that we as a committee recognize the importance of your sector.

You talk about trade liberalization and how important it is. In Canada we have this great opportunity to start exporting our services. Mr. Marchi also mentioned.... Do you have some specific, concrete recommendations, not only on what the government can do looking at foreign markets and where we should go, but also about the interprovincial trade barriers? I hear in Canada that seems to be an issue as well.

Could you comment on those two things?

Hon. Sergio Marchi: Is that addressed to my colleague?

Mr. Colin Carrie: It's to both of you, if you could.

Mr. David Stewart-Patterson: All right. Perhaps I can start then.

In terms of the international arena, we have to be aware that for services, on the one hand, it's been harder to get international agreements in terms of opening up market access and so on. On the other hand, it's also an area in which trade rules can sometimes be difficult. It's hard for rules to interfere with the market, and I think we've seen that most clearly in areas like information technology and communications technologies, where we've seen massive shifts of jobs around the world because a lot of that work can be done just about anywhere, as long as you have people with the right talent. That mobility of services work is both a risk and an opportunity for Canada.

I think we've seen examples where Canada has had one investment and has become kind of a global centre of research in areas like software development, for instance. On the other hand, we've also seen examples of that kind of work being increasingly created in other parts of the world, including in parts of the world we used to think of as developing economies—the Chinas and Indias. I think they're much more than that now. I think that is a competitive challenge we have to recognize.

So yes, there are things we can and should do to improve market access. On the other hand, we have to be aware of both the opportunities to expand our own successes and the opportunities that are open to others to compete with us as we kind of think about how to move forward globally.

Mr. Colin Carrie: Okay.

Go ahead, Mr. Marchi.

Hon. Sergio Marchi: I would also agree with your opening observation that services have been a bit of a hidden gem, and that probably goes for many other countries as well. Sometimes, from a public perspective, we're still seeing the old, more traditional economy—not to lessen the importance of that sector. But services also are very much about the transition the Canadian economy has gone through. Notwithstanding the fact that we have a lot of quality services to offer, roughly 13% of our exports are services-driven, whereas in fact domestic statistics show that services are the key drivers of our national economy. Of that 13%, some 60% flows to the United States.

So the first thing I would say is that we obviously have to open up and diversify our markets globally. That's why we stress, as one of the recommendations, that concluding the Doha development agenda, which is currently taking place at the multilateral trade negotiations level at the WTO, is very important for us. Many of those markets still face huge obstacles, particularly, but not exclusively, developing-country markets that have been much slower to liberalize their services regimes. Even when you have countries taking on commitments in the services area, Canadian companies, like others, also face non-tariff barriers, like licensing problems or having to partner with domestic partners. So you still have to continue to move that boulder forward. That's why we put a lot of emphasis on the government sparing no effort to conclude the multilateral WTO trade talks.

More specifically, the services, also in the WTO—and I had some experience on the ground there, and it was the same thing during my time as ambassador to the WTO.... Mainly there are three market access negotiations currently: agriculture, industrial, and services. Again, services, notwithstanding the huge economic numbers and statistics, both in developed and developing countries, from a process and political point of view, lag far behind the other two sectors. So even at the WTO we have to ensure parity, at least, of those three market access negotiations.

Domestically, as you said, there are different quality standards province by province, different consumer standards, different licensing standards, and different procurement standards. What we have to do internationally we also have to practise here at home. That's why it's important that the government continue to work with the provincial governments in terms of ensuring that those barriers domestically come down, and come down aggressively.

• (1155)

Mr. Colin Carrie: Very good.

Do you have something to add?

Mr. Sam Boutziouvis: Just to add to Mr. Marchi's point, yes, at the WTO we need a deal. But we need to also utilize all the instruments we have at our disposal to open up markets and to promote investment from the Canadian side in all these other potential emerging markets where we could export our services. We should pursue foreign investment protection promotion arrangements; promote new tax agreements or re-invigorate tax agreements that need to be renegotiated; promote science and technology agreements, of which we have a few; and promote regulatory cooperation agreements.

Thank you.

Mr. Colin Carrie: Thank you very much.

The Chair: Thank you, Mr. Carrie.

We'll go now to Ms. Nash, please.

Ms. Peggy Nash (Parkdale—High Park, NDP): Thank you, and good morning to everyone.

My first question will be to Mr. Stewart-Patterson, and perhaps Mr. Marchi as well. You have both mentioned trade barriers and the WTO agreements, and in your presentations you've not distinguished between public services and private services.

Trade is obviously a two-way street. What would you anticipate as the impact of freer trade in services on services such as health care, the provision of water, sewage, postal services, and also cultural and artistic services support that we have in Canada for Canadian publications, films, and so on? Do you anticipate any impact in those areas?

Mr. David Stewart-Patterson: The short answer is that I don't expect anything in any trade agreement—bilateral, regional, or multilateral—to affect the ability of Canadian governments to deliver publicly whatever services they wish.

The only impact it has is on whether private companies have to be treated the same, whether they're domestic or foreign, if things are done as a private sector activity. It doesn't affect the ability of governments to deliver publicly whatever services they choose.

• (1200)

Ms. Peggy Nash: So you're an advocate of a provision similar to chapter 11 under NAFTA. Is that the kind of provision...?

Mr. David Stewart-Patterson: Well, your question was, do I anticipate any impact on Canada's delivery of things such as health care, water and sewage, or other publicly delivered services, and I'm saying no.

Ms. Peggy Nash: But under NAFTA, for example, if there is some privatization of these services, then there has to be equivalent treatment to the private sector.

Mr. David Stewart-Patterson: The basic principle of any trade agreement has been national treatment. You can't discriminate against companies depending on where they come from. That's all it says.

Of course, Ambassador Marchi is much better equipped to deal with the technicalities of that.

Hon. Sergio Marchi: If I can just complement that, the construction or the architecture that's done multilaterally on the services is quite different from how the goods and agricultural products are treated. In the first two, when the WTO, let's say, makes a decision to cut a barrier or a tariff, it applies across the board to all members of the WTO, whereas on the General Agreement on Trade in Services, when it was entered into, when it was first created, there was a fair degree of opposition from developing countries, because, quite frankly, they didn't understand the impact of this whole new services regime. So the WTO agreed that countries are able, unlike the other two market access issues, to take on commitments on individual items of their choosing; therefore governments, including our own, are completely within the bounds of the GATS to take an

exception on culture or on the issue of health, which you mentioned, or a couple of those other issues.

Obviously, it makes for tougher negotiations; if you have a long list of exemptions or you're not prepared to take on commitments, other governments aren't necessarily going to open doors on areas of services that the Canadian government will want to take the offence on. So it's obviously a quid pro quo. But there is protection, legitimately so, offered to all country members of the WTO to take exceptions upon issues that they deem important for their own national reasons.

The Chair: Ms. Hunter wanted to comment.

Ms. Carol Hunter: Could I just add a supplementary comment? There's clearly a range of opinion on foreign ownership, on the delivery of private or public services, but we would argue from the cooperative sector that there needs to be at least a dialogue in Canada that engages the input of citizens, not just the business community, on the role of foreign ownership in different sectors such as health care, education, or communications.

Ms. Peggy Nash: Thank you.

Let me just follow up with you, Ms. Hunter. You mentioned that there is a cooperative development initiative, the partnership with the federal government set to end on March 31, 2008. Have you been involved in a dialogue with the federal government? Do you know what their plans are in terms of continuing this initiative?

Ms. Carol Hunter: Yes, we've had many discussions with all the different parties, and we've been advised that the renewal will be under the agricultural policy framework, which, as we know, is being extended for one year until there is a consensus of all the provincial ministers to make it a multi-year renewal. So we've been advised of a renewal for one year as the APF is extended for one year.

Our greater concern, too, though, is an expansion of the CDI, because right now it is \$15 million over five years, which means \$3 million a year, to provide service delivery in all the provinces and territories. Under the current envelope we have a situation, for example, where the Province of Alberta received \$60,000 to provide advisory service throughout all of Alberta. So it's great that it will be renewed, but our concern is that we really need an expansion. We've had no indication of an expansion.

Ms. Peggy Nash: I have 30 seconds left.

[Translation]

Mrs. Brigitte Gagné: I'd like to add something.

We have gotten an undertaking from the federal government that it would take the necessary steps to renew this program, in its current form, for one year. However, we haven't received any official document concerning this commitment. We don't know what the renewal action plan will look like. And I think that it is important to stress this.

Ms. Peggy Nash: Thank you.

[English]

The Chair: Thank you, Ms. Nash. We will go to Mr. Brison.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you, Mr. Chair, and thanks to all of you for your interventions this morning.

Last week I was at the World Economic Forum in Davos, Switzerland. The focus of many sessions was on research and development and on the fact that research and development is now part of a global supply chain. No one country will control the research and development and commercialization of new technology.

One presenter said that Silicon Valley is now one IT innovation hub among many. China, India, and other locations have become competitors and collaborators in the development of technology and novel business models. Innovations no longer come from the U.S. or any country but originate increasingly in the developing world.

The reason I mention this is that there is a growing concern that Canada's policies towards China have a wide-ranging effect on the future competitiveness of our country and on the capacity for businesses to develop cutting-edge technology that will help bolster our competitiveness.

There was also a great concern there and excitement about the development of "clean tech"—clean technology—and a belief that the capacity to partner with the Chinas and the Indias of the world to develop those technologies will be very important to Canada. There is a belief that this is the fastest growing area of the 21st century economy, with companies such as Kleiner Perkins, out of Silicon Valley, focusing almost all their efforts and capital on this area.

I would like some insight from some of you on the importance of Sino-Canadian relationships in trade and in research and development, and also on your perspective on their development of clean tech and environmental technologies, particularly as we enter a globally carbon-constrained economy.

• (1205)

Hon. Sergio Marchi: If I may lead the parade—

Mr. Sam Boutziouvis: As chair of the Canada China Business Council.

Hon. Sergio Marchi:—wearing another hat, which isn't on the table today, I certainly would echo the comments that laboratories now know no borders and that those genius discoveries can come as quickly from a laboratory somewhere in China or in India as they can from our own country or the United States. Clearly that means that the emerging markets have already emerged, certainly in the case of an India and a China.

On your question on China, it is clear that China is obviously very important to Canada. It has already pole-vaulted to being our second largest trading partner. In fact, in our largest market, the United States, our greatest competitor is China. So while the United States will continue to impact positively on our economic wealth generation, nothing is forever. The whole gospel of diversification is even more important today than it used to be, in the last 10, 20, or 30 years—that is to say, to ensure the engagement of a country such as China—and not only because of bilateral economic considerations: I think in the case of China and India, their economic impact is felt around the global stage and also politically.

It means you not only should have a bilateral strategy; when you look to a country such as China, we should also be thinking how we can partner with them multilaterally.

On the issue of the environment, there is a lot of debate about how quickly or slowly the Chinese are moving. But if you look at their latest five-year plan, it is the first occasion that the Chinese have talked about priorities that speak as we do of quality-of-life issues. I think their top political priority and concern is the huge gap that is being created between people living in the cities and those in the countryside—the rich versus the poor, if I can put it that crudely. As a way of bridging that prosperity gap they are trying to improve the air and water quality, trying to improve the quality of health services to their people, trying to improve the education. Obviously, if that prosperity gap continues to grow, it potentially is a source of huge instability, and I would go so far as to say not only instability for China but in fact for the international community.

So I think they mean business on the environment and in those other areas. This provides yet another area for us to share our story and our experience and our expertise, not as a lecture but as a way of engaging the Chinese in how we have built our public and private sector areas of priorities.

Mr. David Stewart-Patterson: I can perhaps just add a couple of comments on the environmental aspect of that.

First of all, it's important to recognize that when we talk about research, it's really the broader process of innovation. It's not just finding new discoveries, new ideas; it's actually putting them into place.

We've also seen that within Canada we've been able to develop a strong consensus in the business community that technology is the development of new environmental technologies, and their active deployment is going to be critical to Canada making progress on the issue of climate change.

Furthermore, if, as world citizens, we're going to have an impact on climate change, we have to make sure that all major emitting countries are part of the effort, and that obviously has to include China.

On the other hand, that also creates a huge market opportunity. If we do a good job of stimulating the investment we need to do our part in environmental technologies at home, it creates a huge export opportunity in countries like China, which have to do even more.

• (1210)

The Chair: Thank you. I'm sorry, we're over time here, but we will come back to this, I'm sure.

Thank you, Mr. Brison.

We'll go now to Mr. Stanton, please.

Mr. Bruce Stanton (Simcoe North, CPC): Thank you, Mr. Chair.

Thank you to our panel this morning for the insights into this study we're doing on the service sector. I have to say, it's been very intriguing to watch how this has evolved over our last several meetings. You've added some more insights that are going to be very helpful for us.

I want to direct my first question to Mr. Marchi. In your presentation you talked about some of the benefits the service sector has brought to the economy here in Canada in terms of enabling it. One of the things you mentioned there was quality of life, but you didn't expand on that. I wonder if you could take a minute to expand on that notion.

You mentioned telecommunications and assisting and helping the manufacturing sector to be more competitive, and then you finished off with quality of life. What were you thinking there?

Hon. Sergio Marchi: I was thinking that my time was running out so I might as well throw that in and bootleg it.

Mr. Bruce Stanton: I'd love to hear more about that.

Hon. Sergio Marchi: I talked about the quality of life in the sense of the co-relationship between the quality of a service sector and how it can improve the competitiveness of the manufacturing sector. And then I went one step further to have us think also, as we step back and look at our country, that the quality of services is also directly tied to the quality of life that one citizen or one country has. The more developed your services are, I think the far superior the quality of life, whether you talk about telecommunications, whether you talk about financial services, or whether it's in the delivery of health-related services.

For example, one of the biggest service areas they are finding in developing countries is in the whole tourism and travel area. I think tourism is about 35% of developing countries' services markets because of the great tourism.

What they're now finding is that telecommunications in how you market your tourism and financial services in terms of currency exchanges are obviously complementary services that create a stronger and more aggressive travel and tourism sector. And as you develop that as part of your economic jewel in the crown, it obviously raises the whole level of foreign investment going into that country, and hopefully those economic boats in the various harbours of that country will rise.

So I think the quality of people's lives are directly or indirectly manifested by the kinds of services that facilitate that life from Monday to Sunday.

Mr. Bruce Stanton: I will carry on, Mr. Chair. This is a question to Mr. Boutziouvis.

I was intrigued by your comments in terms of the shift, in terms of the quality of job, and you cited the CIBC jobs quality index, or something of that sort.

It occurred to me—and this has actually been one of the perceptions that has existed about the service economy—that in fact if there are job losses on the manufacturing side, what will replace them will be certainly something less. Your statistics seem to counter that.

I wondered if you could comment. If that is the case, then, how would you comment on the notion that as we go through this adjustment period, as Canada adapts to a more global framework—a supply chain, if you will—that in fact some of those manufacturing job adjustments might be crucial to that change? Is this in fact the lower end of that sector that perhaps needs to go away? Is that

equally true on the manufacturing side, that these in fact are just important adjustments to strengthen Canada's economy?

Mr. Sam Boutziouvis: Given the fact that Canada has an open economy, the manufacturing sector obviously will continue to face challenges with the current economic conditions we face. My view is that the manufacturing sector is fully capable of competing internationally, both in the United States and abroad. Adjustments will be made. They are being made right now. For example, productivity improvements in the manufacturing sector have increased dramatically. And because we have a dollar at par, and other factors have been introduced that will be of benefit to the manufacturing sector going forward, capital investments will be made and adjustments will be made so that the manufacturing sector can come out stronger.

Going forward, let's say in five or ten years, will we be in the same sub-sectors of the manufacturing sector? I think there are going to be changes. We won't be in some sectors and we will be in others. We'll be stronger in others. But that just goes to the strength of the Canadian economy. Will some of the manufacturing jobs shift over to services? That has been happening for 20 years and will continue to happen.

I firmly believe in the flexibility of the Canadian economy to adjust. As long as we provide the right policies at the federal and provincial levels to allow for the effective capital investments to make the shift over the medium term, I have faith that the manufacturing sector will live on in the Canadian context and actually be stronger.

• (1215)

The Chair: Thank you, and thank you, Mr. Stanton.

We'll go to Monsieur Vincent.

[*Translation*]

Mr. Robert Vincent (Shefford, BQ): Thank you, Mr. Chairman. I have three questions for all our witnesses here today.

First, have you thought about what effect any recession may have on your sectors?

Furthermore, there has been negative growth in the manufacturing sector. Many people from that sector are now employed in the services sector. Now, this meant that they took a cut in salary. Is it possible that there will be a decline in the services sector? If I were earning \$15 an hour and then I had to make do with \$8 an hour, I don't think I'd go on any more trips.

Now, Mr. Marchi, you referred to Doha-related negotiations. Our trade balance with the rest of the world has slipped \$12 billion. If we participate in other Doha-based negotiations and if we do business with other countries you referred to—Norway, Liechtenstein, Iceland and the Dominican Republic—and I'm talking about jobs in the services sector, do you think there'll be further job losses? For example, it costs less to provide telecommunication services from other countries than it does from home.

Do you think some service sector employers will be tempted to hire offshore, thereby leading to just as many job losses in this sector as in the manufacturing sector?

I'd like to hear your answers to my three questions.

[English]

Mr. David Stewart-Patterson: Shall I start? Okay.

With regard to the first question, particularly if our major market in the United States goes into recession, that will affect more than just the sectors—forestry, for instance—that are bearing the brunt on the front end, because it's the housing crisis in the United States that's the leading edge of economic weakness there. Obviously there are concerns globally about the pace of economic growth. Canada will be affected just like everybody else, but it's not clear yet how difficult things may get internationally.

I think your more interesting question is the question of what happens as manufacturing jobs are lost. As my colleague was saying, the manufacturing sector as a whole has been losing jobs as a share of the economy, but production has been expanding. Manufacturers have been investing in technology. They've been getting more efficient. They can produce more with fewer people.

As individual companies get into trouble and workers are laid off, are the workers finding better jobs or are they being forced to move into lower-paying jobs? I think the conventional wisdom is that it's bad to lose manufacturing jobs because people are worse off in the service sector. I think what's important to note for this committee is that there are a lot of opportunities in the service sector that are paying better than the manufacturing jobs that are being lost. That seems to be the conclusion coming out of some of the data from CIBC, for instance.

The final point I would make, though, is that jobs in all sectors are going to pay more in future. The reason is that we're moving into an economy that is short of people. As people become more scarce, small companies and large companies alike are going to find it harder to find the people they need. When anything gets scarce, the price goes up.

The issue, it seems to me, is what kinds of work are Canadians going to be qualified to do? That will determine what kinds of work we are able to do. Whether there are better jobs or worse jobs is going to depend on how well prepared Canadians are to take advantage of the opportunities that are growing as opposed to the industries that may be shrinking.

• (1220)

Ms. Carol Hunter: I'd like to add something as well. One could argue that the cooperatives will be more sheltered in a recession because we invest internally, not on the stock markets, so we're not as interconnected globally. We're very much a local investment business enterprise model. During the Asian crisis, actually, credit unions in Asia were less impacted during that implosion because they were not as large as some of the large banks and they were very much locally invested. Also, the fact that cooperatives give back so much in the way of patronage dividends provides one other modest cushion.

The Chair: You have about 20 seconds, Mr. Marchi.

Hon. Sergio Marchi: In response to the specific question, I see a great potential upside. If you look at our trade, which is obviously indispensable to the growth of our economy, and only 13% of our

exports thus far are for services and 60% of those in the United States, I see a great upside for a lot of our service providers.

If you look at Manulife, for example, which is doing extremely well in China and India, as we mentioned earlier, 75% of their work, their business, is international, and yet 50% of their job creation is here, in-country. If we can duplicate or replicate that for other companies—obviously, we have to give as well as we get because balanced and fair trade is about both sides—I think Canada, given the quality and competitiveness of our services, can do very well and in the process create the job stimulation we need certainly to compensate for some of those other sectors, coupled with the right type of training. I think our future on the services export side should be a very aggressive one.

The Chair: *Merci*, Monsieur Vincent

We'll go to Mr. Van Kesteren.

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

Thank you, witnesses, for appearing before us today. It's a very fascinating study we've undertaken, and it gets more interesting I think as we go along.

I want to direct a question to David Stewart-Patterson, actually, and just very quickly. In your brief, you've suggested we have some real areas of concern—and I would agree with those. However, it appears to me that what you're suggesting is that we target certain areas of the industry. Am I correct in thinking that?

I would think that in the past the Canadian experience has been more of a wild west affair: go on out there, make a go of it; if you make it, you're going to succeed.

Mr. Marchi was saying, too, that we've done well in banking, telecommunications, life insurance. There seem to be some things that we get really good at. Should we, then, as a government, encourage those through our tax policies or should we continue to make it an even playing field, which I think our government has done?

I want your comments on that.

Mr. David Stewart-Patterson: If I may, I hope I didn't give the impression that we would favour targeting industrial policy to particular companies or sectors. I think the most effective approach from a policy point of view is to create the right conditions to make Canada a great place in which to do business and from which to do business globally. Frankly, I think most of the things that are going to be effective on that scale are cross-cutting and not targeted at specific sectors.

That said, I think we do have to be aware of all the economic theory around cluster effects and things like that. The fact is, like-minded people like to hang around together. We know that the Silicon Valleys of the world exist, and they're effective because there are clusters of particular kinds of expertise that group together.

I'm not sure how much governments can do to try to determine where clusters are going to form or whether we should be trying to get clusters of particular things.

Mr. Dave Van Kesteren: Do you see the difficulties we face as a government? If there is an area that is successful, then there seems to be a rallying cry that says you're giving those people all the breaks. It's not that they're getting the breaks, but because they are successful, they seem to be getting the tax breaks and all the other things because they're making money.

What do we do? Do we continue to allow those companies to make large profits, like the banking industry, for instance? They are good at what they do. Do we discourage that—not discourage it, but do we tax them heavily so that we can help other industries that are not successful?

• (1225)

Mr. David Stewart-Patterson: Well, if I may, I think one of the problems we have is that some of the companies in our service sector are prospering despite the way our tax system works rather than because of it. As I say, we actually have much better tax treatment in manufacturing than in services when it comes to encouraging or discouraging businesses from making new investments.

Again, if there's one lesson out there in terms of the way global markets are working, it's that if we want to succeed and continue growing and to have the high-end, head-office-type jobs based in Canadian communities, we have to encourage Canadian companies to make it globally, not just make it domestically. As I say, that means doing what we can to encourage them to grow from here, rather than doing anything to discourage investment in our country.

Mr. Dave Van Kesteren: Could I have just another quick minute?

The Chair: Ms. George, do you have a comment?

Ms. Shirley-Ann George (Executive Director, Canadian Services Coalition): Very briefly, I'd add one thing. Definitely having a basic and broad-based tax policy is preferred, but I think we also need to keep in mind that we seem to make a game out of taking our winners and making them into a national punching bag. Other countries celebrate their winners. We tend not to do that in Canada. We tend to look at them as potential areas for more taxation or as somebody who's getting government handouts and all of that kind of thing, instead of looking at what we can do to create another five of these wonderful examples. That we can do without giving them tax subsidies.

The Chair: You have about 40 seconds.

Mr. Dave Van Kesteren: You didn't get a chance to finish your recommendations. I thought they were excellent. What was that last one on WTO? Maybe you could just expand on that.

Hon. Sergio Marchi: To the current question, I would support the level playing field at home. What we can perhaps think of sharpening our pencils on is our overseas trade and investment strategies. That is to say, perhaps there we can focus a little more like a sharp laser, to say, for example, in China, where are we competitive? What sectors should we be pushing? What kind of investment in Canada would the Chinese be interested in, and how do we connect those dots? Maybe it's a different kind of game in India. It could be a different one in Europe. I think in terms of marketing Canada and branding Canada abroad, we might, and should, need some focus and more laser-like strategies so that we can build on the synergies and competitiveness we have.

The point I failed to make in my opening remarks, which I think I answered indirectly, is that we clearly have to try to close successfully this current Doha Round. It's not just because of what's in it for us, but I think the greatest dividend for the developing countries in terms of lifting those votes is in reforming agriculture, given that it's obviously one of their prime generators of potential economic wealth. There's a huge amount riding for developing countries—as opposed to just looking at it from a national interest perspective.

The Chair: Thank you, Mr. Van Kesteren.

We'll go to Ms. Nash.

Ms. Peggy Nash: Thank you.

I want to thank Mr. Comstock for being here. I'm very proud that the first business improvement area in our city, the Bloor west business improvement area, began in my riding, under Alex Ling a number of years back. I know first-hand the tremendous work the BIAs do in the community, and I know the good work TABIA does, not only in terms of community development but also environmental assistance and just improving the neighbourhoods with thriving businesses. I want to say that it is a real attraction for people to move into our area because of the small businesses on the main streets when they do well.

There are obviously a number of challenges for small businesses. The dollar has an impact. There have been some regulatory problems. I know some of the small butchers that have been around for 50 years are facing some provincial regulatory problems, and they impact on them as though they were large operations.

I'm wondering, first of all, are there other kinds of barriers that you see today particularly impacting on small business? You mentioned the big box stores. Are there other regulatory issues you're concerned about?

Second, what are some of the things the federal government can do to promote the kinds of small businesses you represent? People have talked to me about improving transit in the city, and that's a major boon to the small operators. Are there any other regulatory or assistance issues you'd like to see from the federal government?

• (1230)

Mr. Michael Comstock: We are so much a creature of the province, and much of the control, I'm afraid, is at that level. I've seen a lot of federal programs where, when a mill town shuts down, the federal government is quite interested in providing some help. I see that happening to a lot of retailers in towns all across Ontario, and probably the rest of Canada. This change in retail occurs on the outside of a small town. The same thing happens in that village square. The stores are empty, and I just don't think they're ever going to come back.

I think we have to address...it's not that the big box is wrong. They have a new, better model that the public likes. It's that something has been left, like the unproductive mine, and people are kind of stuck with that. I think it is a sector problem. Our particular type of service sector, small retail, is really in a bind. It would be nice to have some study work done on it.

I feel bad when a business closes because I know it's so much more devastating than in a lot of other situations when jobs are gone. Here, the investment is gone as well, and a lot of the striving and ego that the person has put into it.

There is no employment insurance available. I think that contributes to poor record keeping in terms of services. A lot of businesses that close aren't recorded because there is no filing for EI, and if they are a proprietorship or a partnership, there is no closing of a corporation, so a lot of data just doesn't occur.

Ms. Peggy Nash: Mr. Comstock, is that something small business owners are seeking, to be able to contribute to EI and claim benefits when the bankruptcy occurs?

Mr. Michael Comstock: It is certainly an inequity. I think many of them would like to avail themselves of that type of program.

The other thing is the capital gains situation that occurs with the sale of a small business or the property. I'd like to see some effort to consolidate some of these. One block could have ten owners with 15 feet of store. What are you going to do with that? Some of them are on extremely good public transit areas. They need to be built up, but we don't need a store under every condo. I don't see anyone looking at the problem. I don't see the cities looking at it, or the province, at this time.

Another thing I've been told—which I am not convinced is a serious problem—is that a lot of merchants in the day-to-day ringing of the till have a lot of problems with the GST. People are always trying to barter it away. It causes slippage, we could say. The GST in other countries is often hidden within the price, and it would be a less onerous procedure if it was hidden. We've gone through a lot of changes with the GST. I don't want to see any more myself, truthfully. It's working somewhat.

I can't think of a whole lot of federal things for our situation, except to acknowledge that all across the country this old style of retail is crumbling away and it could use some attention.

Ms. Peggy Nash: Thank you.

Am I out of time?

The Chair: You are out of time, unfortunately.

Ms. Peggy Nash: Okay, thank you.

The Chair: We'll go now to Mr. McTeague.

Hon. Dan McTeague (Pickering—Scarborough East, Lib.): Mr. Chair, thank you, and witnesses, thank you for being here.

It's not the first time for most of you, but for those who are here for the first time, we welcome you. It is going to be very helpful to us in terms of providing a concrete report.

Many of us are concerned about what has happened in manufacturing. I'm wondering if any of you here could perhaps give us a more concrete example of the absorption of lost manufacturing jobs into your sectors. I realize it's a general question.

The second one that concerns me is, could you identify weaknesses within your own areas, within your own sectors, where you foresee the possibility of a replication of what we're seeing in manufacturing? It's great that we have this wonderful world—Mr. Marchi talked at great length about opportunities that exist

internationally to export our service prowess—but at the same time there is a quid pro quo. Most of us understand, for instance, that one of the traditional service jobs that we recognized in the past, telecentres, has now been farmed out to the cheapest jurisdictions around the world. That's not to suggest that is a scary phenomenon, but in order to look critically at the service sector, we'd like to anticipate where there will be losses, if indeed those are going to take place in the future.

I leave this open to anyone to comment.

• (1235)

Mr. David Stewart-Patterson: From the point of view of where lost manufacturing jobs are going, there are two things you can look at. One is, we know they are being replaced, because we continue to look at unemployment rates that are at 30-year lows. So we know that people are getting re-employed; the more interesting question is, what they are being re-employed as.

The CIBC job quality index is an interesting indicator, because it gives some sense of where those jobs are coming from. Some of the higher-quality jobs are being created in the public sector, not just in the private sector.

There also seems to be a shift even within manufacturing. It's the lower-wage manufacturing jobs in general that seem to be dropping off. In some cases, there are higher-end sectors of manufacturing that are growing.

I think we are also seeing, even within manufacturing companies, a shift in the kinds of jobs. The automotive sector is an interesting example of that. In Ontario we are now seeing a building up of the research and design kind of employment within the auto sector, and not just of the assembly plants and the parts operation.

It's moving up the value chain that is important to Canada, and certainly something that public policy ought to encourage.

Ms. Shirley-Ann George: I think we have to recognize that while there's definitely a shift towards services, and there's definitely some re-employment happening for some individuals who are unfortunate enough to lose their jobs, it doesn't change the fact that for a single individual.... When people lose their jobs who had been making \$80,000 or \$90,000 doing some manufacturing job and are looking around and there's difficulty, it's incumbent on all of us to think through what we do to help these people make the adjustment more quickly and easily.

Where are our training programs? Some of these jobs that are being created in the services sector take a significant amount of skill. You don't just take a two-week course and go into an IBM lab and start developing software. What are we doing towards some of this extensive retraining that's needed? I think we need to be fair and open in recognizing that there is a need for this kind of investment as well.

Hon. Dan McTeague: Mr. Marchi, I want to point out that we have made several recommendations, in the context of manufacturing, with respect to retraining and temporary workers, etc., so we're on that. We just hope the government responds as soon as possible.

Mr. Marchi.

Hon. Sergio Marchi: I was simply going to add that I didn't try to make a perfect-case scenario. I tried to paint a picture that talked about huge potential gains.

But you're absolutely right. Trade in goods and trade in services obviously occur on a two-way street; that's what trade is. I think some of the problems we're seeing in some of the older parts of our more traditional economy are in part linked to the ebb and flow of the globalized marketplace. We can't just say in speeches that we're part of the global village and then not also talk about the ramifications, either positive or negative.

There are clearly going to be adjustments. It's clearly imperfect. Clearly, countries are going to be demanding of us to open up our service sectors, as we are asking them to do. There's no question that it's an imperfect world, but if you look at the last number of years and the movement towards services and ideas, it's obviously something we're doing quite well at and that should be reinforced, notwithstanding the imperfection of it.

Hon. Dan McTeague: I'm just hoping we don't have a sort of—I hate to use the term—Maginot line of defence that services can answer all the problems we're seeing with unemployment. I don't know whether Wood Gundy has had an opportunity to talk about this, other than predicting that gasoline will be \$1.50 this month, which is of course incorrect.

That's my PSA for the moment, Mr. Chair.

I'm concerned that the two last reports on unemployment showed the last gain we had was really in the government services sector, which was then followed more recently by an actual drop in employment.

We also recognize the statistics relating to how EI is collected. Former Minister Marchi might know this better than most. After several months, the person who can't find work and hasn't been able to make the transition is in fact simply lost in the statistics. So the numbers may be greater out there. We're seeing it in our constituency offices and we know it's real.

I'm just hoping there is in all of the recommendations you've given to us an opportunity to put together a platform, an idea, that would allow us to make your industry successful, as it were, to weather the consequences of high unemployment.

• (1240)

The Chair: Madame Gagné.

[*Translation*]

Mrs. Brigitte Gagné: The cooperative world has suffered losses in the manufacturing and agriculture sectors, and over the last couple of years, also in the forestry sector. As a result, there's been an increase in other hot sectors such as environment, the energy sector, and the health care services delivery sector. Things are now beginning to balance out.

In the coop world we're relying on the Cooperative Development Fund to help cooperatives develop their own ways and means of finding funding for and developing major projects, and so that they can make the necessary changes. There's also the Cooperative Investment System which enables workers to invest themselves and to get a tax credit.

These are two things we're currently working on.

[*English*]

The Chair: *Merci.*

Thank you, Mr. McTeague.

We'll go to Monsieur Arthur.

[*Translation*]

Mr. André Arthur (Portneuf—Jacques-Cartier, Ind.): Thank you, Mr. Chairman.

Mr. Stewart-Patterson, I'd like the study to help me understand why the services sector in Canada is not successful at exporting as much as it could be. Even after all this study, I am still interested to know why we aren't reaching our full export potential.

In your presentation you referred to the trouble corporations are having maintaining or setting up headquarters in Canada. You spoke of company heads for whom it is easier to set up shop in the United States, for example. You spoke about the fiscal considerations and problems with border crossing.

Mr. Marchi told us that it may be far more difficult crossing the border to export services than to export manufacturing goods. Is it easier for a Canadian company or international company operating in Canada to export its managers and top staff than it is to export its services?

[*English*]

Mr. David Stewart-Patterson: I think people and services go together; services are delivered by people. They can be delivered long distance via communications and they can be delivered in person.

So when we talk about how do we expand Canada's exports of services, inevitably that means the movement of people. The ideas can move regardless, but movement of people is important. That's why I think I focused so much on the importance of the Canada-United States border.

After September 11, 2001, we saw the lineups of trucks, but the lineups of people were just as important. People movement is important, not just for the export of the high-end jobs I was talking about, for the head offices and the marketing trips by investment managers, and so on, but also for tourism in Canada—though you may not think of it this way—which is effectively an exported service. People come from other countries to buy our services here in Canada, and a lot of those tourists come from the United States. We're very worried about the new rules partly in place already, which are going to become more strict and make it more difficult for Americans to come to buy Canadian tourism services.

So these border issues are very important.

•(1245)

Mr. André Arthur: In answering a question from Mr. Simard concerning the formation of manpower, you said that “you do whatever you have to do”, to quote you exactly. Are we far from the situation in the service industry, notably in the health sector, where in localities like Belleville in Ontario—I don't know of it elsewhere in Canada—you can go to universities, recruit bright students, pay them a salary for the remainder of their schooling, and then bring them home to work in their field for a certain number of years, because they have talent? Is this solution on the verge of becoming more universal in Canada?

Mr. David Stewart-Patterson: I think that approach has been used for many years. When I was in university it was a standard process for the armed forces. I served in the naval reserve and that was part of it. There was a trade-off. People who went to military college, generally speaking, had their education paid for, but they owed the armed forces four years of service. That gave the forces not only a minimal return on investment, but a chance to recruit that person over the longer term. So I think that kind of approach can be used in other areas.

On business investment, it's quite common for companies to pay their employees to take courses. At the management and executive MBA levels, those kinds of courses are quite common in large corporations. What I'm worried about on the training side is that smaller companies are not as well equipped to meet the needs of their employees as larger ones are. Large companies can develop the courses they need and deliver them internally on a cost-efficient basis. Smaller businesses don't have that capability internally.

Community colleges are doing a very good job working with businesses in their communities to develop courses appropriate to the needs of those communities, but I'm worried that we don't have the capacity we need as a community going forward to make sure small businesses can recruit the successors or employees they don't have right now and make sure they have the skills they need as their businesses evolve.

[Translation]

Mr. André Arthur: Thank you, sir.

[English]

The Chair: Thank you, Mr. Arthur.

I have a couple of wrap-up comments and questions.

I want to put Mr. Marchi on the spot, because he did reference the manufacturing report, and I certainly appreciate the comments.

We're more than halfway through our study on the services sector, but one of the things in actually drafting a report with recommendations is identifying some common challenges and then hopefully getting the committee to agree on some recommendations—unanimously or not. On the manufacturing report, we had skilled labour, the appreciating dollar, energy as an input cost, the challenge from emerging economies, and regulation.

You represent the services coalition, Mr. Marchi, and I understand there are issues with the border. You've highlighted issues with trade, and tax policy was highlighted by both you and Mr. Stewart-Patterson.

Starting from a challenge point of view, would skilled labour be one of the five challenges we've identified in manufacturing? On the appreciating dollar, frankly, we have not heard much mentioned with respect to the service sector. Would the appreciating dollar be mentioned or would that be a negligible factor?

Hon. Sergio Marchi: I certainly think that skilled labour would be an issue—training that labour and making training fluid. We listed those seven recommendations to try to strategically focus your attention on a number of areas.

An additional area that I think a number of us touched upon is the whole issue of internal trade barriers. When Mr. McTeague was talking about his questions—as well as other members of Parliament—if we visualize an increasingly liberalized world, our internal trade barriers become shackles to us to better compete in that liberalized world. Therefore, I think the whole issue of internal trade barriers as a potential dysfunction facing that liberalized world, and also internal trade barriers as a function of our competitiveness, should be high on that list.

On the earlier line of questioning about a level playing field in how you treat companies and sectors, when you look at services internationally, because there's a great growth potential from the current 13%, what areas should we push in parts of the world geographically? It's not an attempt to pick winners or losers; it's an attempt to try to connect the dots much better with what we produce, who our competition is, and where those services ought to be going. So it's a matter of sharpening the trade and investment side internationally and linking it with the things we can do well and can do more of.

Those are certainly some issues.

You're pointing to the numbers.

•(1250)

Ms. Shirley-Ann George: I'm sorry, we desperately need better statistics on this industry.

Hon. Sergio Marchi: The question is how you measure services, and that's where I didn't get a chance to go into much detail, but in regard to the U.S. Coalition of Service Industries—we provided you with a copy of their report—it's amazing what they can gather in terms of information based on how their census is organized and how the service-related questions are asked. It's not an easy issue, because measuring a truckload of widgets going to Detroit from Windsor is one thing; how different services are provided across the border is something very different.

Again, I think how Statistics Canada looks at that new and growing service sector is absolutely crucial, because in that American report they were able to break it down state by state, congressional district by district, GDP sector and company, which provides not only a great wealth of information for the public sector leadership but also in terms of the private sector. So how we measure services is going to give governments and parliamentarians the kind of basic information they need to craft future policy and trade negotiating strategies around.

The Chair: I think the report also highlights the fact that you can't really silo manufacturing from services or any other sectors.

I'm out of time, but, Mr. Stewart-Patterson, you can make a 10-second comment.

Mr. David Stewart-Patterson: I have two quick comments.

One is that over the past few years I've watched people issues become more and more top-of-mind with our member chief executives at every meeting. We had an example of that just recently, in January. When the members of the competition policy review panel attended our meeting they were struck by the number of comments from the floor that focused on people issues.

On the final thing we talked about, things that matter that might generate consensus, I think you've already generated consensus around intellectual property issues. I think there are now two reports from two different committees that have done very useful work in that area—

Hon. Dan McTeague: Hear, hear!

Mr. David Stewart-Patterson: —and incorporating that by reference would certainly be a useful part of the puzzle in dealing with research and innovation.

The Chair: Thank you very much.

I want to thank all of you for your time here today, for your presentations, questions, and comments. If any of you have anything further to submit to the committee, please do so through the clerk. We will ensure that all members get a copy of it. I thank you for your time.

Members, we have two motions on our agenda. I will suspend for a couple of minutes to allow the witnesses time to depart, and then we will resume with discussion of Madame Brunelle's motion.

• _____ (Pause) _____
 •
 • (1300)

The Chair: Would members find their seats, please?

Members, before we get into Madame Brunelle's motion, I wanted to get your acceptance—I believe I will. We're doing the service sector on Tuesday and Thursday, and we're doing the appreciating value of the dollar on Wednesdays.

Next Wednesday every academic we invited, except for one, said no. So we only have one. I believe it's Mr. Campbell, or a representative from the Canadian Centre for Policy Alternatives. As well, on the 7th, in panel two, every academic has said no, as far as I know.

So I would suggest that on Thursday the first hour would be for the service sector and the second hour would be for the dollar. That way, members, it would free up your Wednesday afternoon, instead of just having one witness.

Hon. Dan McTeague: That's acceptable, Chair.

The Chair: Is that okay?

Some hon. members: Agreed.

The Chair: Okay, thank you.

Now we'll get into the motion by Madame Brunelle. I would ask Madame Brunelle to move her motion.

[*Translation*]

Ms. Paule Brunelle: Thank you, Mr. Chairman.

I need not remind members of the committee who have been here longer than I have been of the importance of this debate and its effect on the major crisis the manufacturing and forestry sectors are grappling with. This motion is a response to the assistance plan being proposed by the government. As far as we are concerned, this assistance plan must be strengthened. It is clear that the motion is in accord with what we heard today. We need to restructure our economy, invest in research and development, implement measures to reinstate the Technology Partnerships Canada program, and give tax refunds to companies so that they can buy new equipment. In addition, single-industry economies such as the forestry sector would greatly benefit from a diversification fund.

I would therefore encourage members of this committee to vote in favour of this motion, thereby sending a clear signal that the crisis is a serious one, that we must take action, and that the government must deploy all means available to help our industries.

[*English*]

The Chair: Okay. *Merci, Madame Brunelle.*

I have Mr. Carrie on the list.

Mr. Carrie.

Mr. Colin Carrie: Thank you very much, Mr. Chair.

I'd like to inform the chair that we'll be voting against this motion. I believe last night the finance committee already passed a motion to study this Bloc Québécois request in depth. To be specific, like any policy we do make on this, it has to be consistent with our softwood lumber agreement, which the Bloc did support. The committee cannot demand specific spending. This is exclusively the purview of the government. So I will not be supporting this motion.

The Chair: Thank you.

Mr. McTeague.

Hon. Dan McTeague: Chair, the parliamentary secretary raises an important point.

[*Translation*]

I see that there are two motions. I wish to thank Ms. Brunelle for tabling the first one. I see that the motion is almost identical to the one tabled previously, in which, according to members of the Finance Committee, was adopted.

I now understand that there are problems of interpretation within the Finance Committee which means that a solution will not be reached for another day. In the meantime, although I accept the principle which has just been laid out, and I may perhaps support the motion, I find this a bit difficult, because aside from Technology Partnerships Canada, all other programs must be driven by the Department of Finance. If possible, I would like to defer debate on this motion—I know that this is at the discretion of Ms. Brunelle—until we can determine if indeed the Finance Committee has done the same thing. To my mind, the most appropriate committee to deal with this motion would be the Finance Committee, but I agree to having a debate on this matter. I would like to wait until tomorrow and I would like to ask Ms. Brunelle to postpone debate on her motion until tomorrow, unless it has already been adopted within the Finance Committee.

• (1305)

Ms. Paule Brunelle: Information—
[*English*]

The Chair: Sorry, I do have Ms. Nash and Monsieur Vincent.

Why don't we have Ms. Nash and Monsieur Vincent, and then we'll go to Madame Brunelle.

Ms. Nash.

Ms. Peggy Nash: I don't have an objection if Madame Brunelle would like to postpone the motion, but I do want to say that it's a motion that's making a recommendation, and it's dealing with the issue that many of us have been raising for some time around the forestry-manufacturing crises.

I support the intent of the motion and the recommendation, but if there is a decision to postpone this, and Madame Brunelle is in favour of that postponement, I would support that.

The Chair: Okay. Thank you.

Monsieur Vincent.

[*Translation*]

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

It could be said that one component of this issue falls within the jurisdiction of the Finance Committee, but we are the Industry Committee. I think this is a subject we can deal with because the manufacturing and forestry sectors fall within our area of study. Yes, we are dealing with financial matters. On the other hand, will the sector be able to tell us if \$500 million or \$1.5 billion would be enough to kick-start the manufacturing sector? Only then would we be able to have a better idea. We can meet with these people and ask that very question: it is their sector that we want to assist. The Finance Committee can say that it has money to give, money to allocate, and make recommendations to assist; however, we must properly understand the needs of the manufacturing sector. Is this enough? Are we going far enough? Is anything additional needed? I think these questions fall directly within the realm of the Standing Committee on Industry.

The Chair: Thank you, Mr. Vincent.

Ms. Brunelle.

Ms. Paule Brunelle: Mr. Chairman, I do not agree with the government's position. Any measure we call for will involve the Finance Committee. Are we going to remove ourselves from our responsibilities?

As it is currently drafted, this motion proposes measures which are in accordance with the unanimous report on the manufacturing and forestry sectors, tabled by this committee. I do not see why there should be a reluctance on the part of members. In fact, if the Liberals prefer to discuss this matter tomorrow, I would be willing to come back to it again at that point, with the assurance that we will do so. I do not want to prolong this debate unduly.

[*English*]

The Chair: So you are okay with it coming back tomorrow for sure.

Mr. McTeague.

[*Translation*]

Hon. Dan McTeague: I don't know if the Standing Committee on Finance is going to take a position on the matter tomorrow. We need time. Ms. Brunelle, I would like to add that the motion tabled by Mr. Crête at the Standing Committee on Finance is much more in-depth than the one that you have tabled. It involves \$1.5 billion, of which \$60 million is earmarked for an income support program for older workers, as well as \$1.44 billion for the employment insurance fund to be placed in a special fund until which time an independent fund is created, etc. I'm not aware of the committee's timeline. I think they're going to discuss this tomorrow. Do we have any confirmation that the motion has been passed? According to members of the committee, the motion has been adopted. I would like to know if postponing debate to tomorrow or Thursday will leave us with enough time. I leave it at your discretion to determine the date.

[*English*]

The Chair: Just talking to colleagues on the finance committee, my understanding is it was adopted yesterday. There was some ambiguity as to exactly what would occur. My understanding is there will be at least two meetings on this motion, on the motion that was passed by Finance.

The clerk does have the motion from Finance, if members want to refer to that. I can hand that out if members wish.

• (1310)

Hon. Dan McTeague: Sure, Mr. Chair.

The Chair: Okay. We might as well pass it out.

Go ahead, Madame Brunelle.

[*Translation*]

Ms. Paule Brunelle: Mr. Chairman, I would like to say one last thing in conclusion. Regardless of whether or not this motion has been adopted by the Standing Committee on Finance—and there appears to be vagueness around this subject—I feel that it would be very important for the Standing Committee on Industry to take a position and make its own opinion on the motion. To the extent that we have worked on this subject, and to the extent that the public has asked us to deal with this matter, I repeat that it would be very important for us, at a minimum, to demonstrate how significant this subject is for us. It concerns us directly.

[English]

The Chair: Go ahead, Mr. McTeague.

[Translation]

Hon. Dan McTeague: I have no difficulty agreeing to what you are saying. These matters also affect the provinces and their respective administrations. Obviously, there's going to be a debate on this subject. We agree to the spirit of the motion, but we are simply taking into consideration elements that have been brought up in Mr. Crête's motion, which go much further than the ones we have before us.

[English]

Not to second guess what the committee is going to do here, but, Chair, I think it's fair to say that I'd like to see where the finance committee goes on this. If in fact at three o'clock tomorrow or two o'clock tomorrow the finance committee adopts this, it would be a simple question of having the industry committee then accept the motion of the finance committee.

I understand the concern of the Bloc that we want all committees that have something to do with this to adopt this motion, but I think I want to be more specific in terms of adopting or accepting what the finance committee has done.

We are dealing with a substantial recommendation for expenditures of money targeted in areas that I think are more appropriately dealt with by the finance committee, save and except Technology Partnerships Canada. That's my personal view.

That's not to say that we are opposed to the motion. It is simply to say that we should see what the finance committee does first. Let's ensure that all these elements here.... If you look at the Crête motion, it is far more in-depth than the one that has been presented before us today. If I were looking at a global view of these motions, I would say that the one by Mr. Paul Crête, on the finance committee, deserves far more attention and is in fact probably more appropriately geared to the appropriate committee.

The Chair: We'll go to Mr. Carrie.

Mr. Colin Carrie: I would just like to agree with my honourable colleague's recommendation. Let's wait and see what they come up with before we start doing this in tandem. We don't want to repeat the work; we have a lot of things on our plate to get done in a very short period of time.

The Chair: As I understand it, the recommendation is to leave the notice of motion on committee business and then see what the finance committee does with the motion. I think that's Mr. McTeague's recommendation.

Hon. Dan McTeague: I just don't know the timing on this, Mr. Chair.

The Chair: We would leave it under committee business, and Madame Brunelle could bring the motion forward at any future meeting. Do I understand that correctly?

Is that okay with you, Madame Brunelle?

[Translation]

Ms. Paule Brunelle: I will agree.

[English]

The Chair: *Merci.* Thank you.

We will leave the notice of motion from Madame Brunelle on committee business.

We'll now go to the motion from Ms. Nash.

Ms. Peggy Nash: Thank you, Mr. Chair.

My motion is concerning the sale of MacDonald, Dettwiler and Associates, MDA, to Alliant Techsystems, ATK, which would have them purchase the Canadarm and the RADARSAT satellite business for \$1.325 billion.

There is a review being conducted by Industry Canada under the Investment Canada Act. The industry minister is involved in that review.

There are questions and concerns around this sale, some of which I'll briefly mention. Certainly there has been significant public investment in the RADARSAT project. The company to which that will now be sold, ATK, is a manufacturer, amongst other things, of land mines and cluster bombs. So there are questions about whether Canada's international obligations will be considered. There are concerns about whether we will be treaty compliant as a result of this sale and about the use of the technology and who will get information from this technology.

We have heard the industry minister say that he would consider a national security test for foreign takeovers, but we haven't had any explanation about what that could include and whether this might be a sale where there are security considerations.

There are many questions about this sale. I have had a number of calls and emails sent to my riding about this. I think it would be very appropriate to have the industry minister, who is the person responsible for overseeing this review, here so that we can ask him about the criteria for the review and any other information he is able to supply us. In addition, he can hear concerns we have and the kinds of questions and requests for information that we're getting from our constituents.

My motion calls on the industry minister to come before the committee within the next two weeks to answer questions about the proposed sale.

• (1315)

The Chair: Thank you.

We'll go to Mr. Carrie and then Mr. McTeague.

Mr. Colin Carrie: Thank you very much, Mr. Chair.

I understand how MPs would most certainly have questions about this transaction, but the Investment Canada Act is very strict. It has very strict confidentiality rules. She's actually asking the minister to come here to do something that legally he would not be able to do.

I have this available in English and French, if the members would like to see it, but I'd like to read into the record subsection 36(1) of the Investment Canada Act:

Subject to subsections (3) and (4), all information obtained with respect to a Canadian, a non-Canadian or a business by the Minister or an officer or employee of Her Majesty in the course of the administration or enforcement of this Act is privileged and no one shall knowingly communicate or allow to be communicated any such information or allow anyone to inspect or to have access to any such information.

Subsection 36(2):

Notwithstanding any other Act or law but subject to subsections (3) and (4), no minister of the Crown and no officer or employee of Her Majesty in right of Canada or a province shall be required, in connection with any legal proceedings, to give evidence relating to any information that is privileged under subsection (1) or to produce any statement or other writing containing such information.

If she would like, I'm sure the minister would be prepared to arrange a briefing to explain how the Investment Canada Act works so that she can understand how the process goes, but the minister can't answer the questions that are proposed here.

The Chair: Thank you, Mr. Carrie.

We'll go to Mr. McTeague, Mr. Simard, and then Ms. Nash.

Hon. Dan McTeague: Chair, I was asked to provide some media comments on this last week and I suggested concerns, right off the top, about the regulatory bar that the minister will face if he comes here.

Don't get me wrong, Chair. I want the minister here and I want him here badly. I want to talk to him about a whole pile of things.

I would ask Mr. Carrie to now convey to his minister that he has been minister since August. It's now nearly February and we haven't seen him before this committee. I think this, among other things, would be a good question to ask, even though he can't answer them.

Having said that, Chair, I have some previous experience with respect to MacDonald Dettwiler and RADARSAT-2. You will note, Chair, from my previous employment, until I was shown the door by your party, that there are a number of concerns that can be raised regarding the relationship of ATK to the land mines treaty with respect to cluster bombs, as Ms. Nash has quite rightly pointed out, and whether we are treaty compliant.

It requires that the foreign affairs and international trade committee would be the more appropriate committee in which to have those deliberations. I'm not letting you off the hook. I'm simply saying I want to see the minister here. I want to hear from Mr. Carrie as to when he plans to finally bring the minister before the committee.

I understand his concerns, and they are legitimate ones with respect to confidentiality rules. It would be nice to have the minister here to ask him questions and to have him respond by saying, "I can't say anything".

We also know the regulator, within a week or two, will hopefully have a response.

I think at that point Ms. Nash's motion might be more appropriate. But I also caution the NDP that they would want to make sure this motion is presented before the foreign affairs committee, which in fact has the teeth and which in fact can go in camera and look at the details of the sale but cannot take information with them. So I would suggest that might be an area they will want to explore on their own.

I think it's clear I want to see the minister, we want to see the minister, and this is going to continue to be a recurring theme for the committee. We're all doing great work, but we need to hear from this minister once and for all.

Thank you, Chair.

● (1320)

The Chair: Thank you, Mr. McTeague.

We'll go to Monsieur Simard.

Hon. Raymond Simard: Thank you very much, Chair.

Our committee here is industry, science and technology, and I think there is a substantial technology transfer with this potential deal.

I understand the confidentiality restraints that Mr. Carrie would be facing. At the same time, I think it would be important for him to appear before our committee to maybe understand our concerns and bring that in his negotiations prior to the end of the review.

I agree with my colleague that the foreign affairs committee would play a role, but I do feel this committee should play a role as well.

I don't need to know the price. He doesn't have to tell me what price they're paying, but I think he has to understand some of the concerns we have with regard to this deal. And he may be bringing a different perspective to the whole review process if he sees us before the end of the review, so I would like to see him here.

The Chair: Thank you.

We'll go to Ms. Nash.

Ms. Peggy Nash: Yes, thank you.

With all due respect to some of the comments that have been made, we are not going to request that the minister reveal corporate secrets or satellite pictures that the technology has been able to capture.

We want to know what criteria he's going to be looking at, and we want reassurance from him that Canadian interests are going to be protected in this sale.

Given that it is the purview of the ministry of industry and the industry minister who is involved in this, I believe he should appear before the committee and allow us the opportunity to ask him questions. And obviously he will need to comply with the law in terms of not revealing information that should not be revealed. Describing the criteria he's going to be basing his decision on...and there may be all kinds of other areas that he is well within his rights to answer questions on. I think it would be important for Canadians to see that their concerns are being raised and that the issues that have been publicly debated are being addressed by this committee.

I believe this is the appropriate committee to review this sale, and it is appropriate that the minister come himself to answer what he can, but also to hear the concerns that people are raising with us, whether or not he has appropriate answers at that time.

The Chair: Thank you.

I have Madame Brunelle, Mr. Carrie, and then Mr. Cannis.

• (1325)

[Translation]

Ms. Paule Brunelle: Mr. Chairman, I feel that it is important for our committee to undertake a study on this sale. Indeed, it is important that, at the very least, the minister be made aware of our concerns.

When I see that RADARSAT-2, the Canadian land surveillance satellite, does not truly belong to our government because it was developed through a public-private partnership, this is of concern to me. Can any secret information be disclosed because this project belongs to the Americans? Will we be governed by the Patriot Act?

There is a whole host of questions. We have a responsibility to seek the answers to the furthest extent possible. I'm in favour of hearing from the minister.

[English]

The Chair: Okay. Thank you.

Mr. Carrie.

Mr. Colin Carrie: Thank you very much, Mr. Chair.

I have heard what the members have said, and I do respect that there are certainly some questions.

I'd like to state again that as this notice of motion is written, to have "the Minister of Industry, Jim Prentice, appear before the committee in the next two weeks to answer questions concerning the review by Industry Canada, under the Investment Canada Act, of the proposed sale of part of MacDonald, Dettwiler and Associates Ltd. to American-owned Alliant Techsystems"... Under the Investment Canada Act, "no one shall knowingly communicate or allow to be communicated any such information or allow anyone to inspect or to have access to any such information".

If this is what you're asking, all I'm saying is that you're asking him to do something he cannot do. If there are other things this committee decides they would like to talk to the minister about, as a committee we can always request that the minister come here. But what you have written here won't work.

You mentioned the criteria. If you would like to have a briefing on how the Investment Canada Act works, I'm sure the minister would be happy to actually get you that briefing so that you know exactly what's happening in the process. But he won't be able to comment on what you've asked for in this notice of motion.

The Chair: Thank you, Mr. Carrie.

We'll go to Mr. Cannis, please.

Mr. John Cannis (Scarborough Centre, Lib.): Thank you, Mr. Chairman.

I'm just filling in today. You and I have served on this committee before, and as the parliamentary secretary to the Minister of Industry, I can appreciate where Mr. Carrie is coming from, having lived it, but I can also appreciate where the motion is intended to go.

We're faced with some difficult circumstances now with respect to our military initiatives. We had Mr. O'Connor, for example, come before the committee. We know very well there are things that they can and cannot say. Nevertheless, it was an opportunity for the

committee to engage. The minister knows this very well, as the parliamentary secretary very eloquently pointed out. But I think it also sends a signal, Mr. Chairman, if I may suggest—the willingness of the minister to come before the committee. On the part about two weeks, I can't say, because we know how busy the ministers are.

What triggered for me, if you want to add my comments, Mr. Chairman, is the fact that the minister has been in this place for such a period of time. We know ministers are all over the map trying to do the best they can. But just the fact that he could come before the committee is what I'm encouraging. The members will have an opportunity to ask questions. The minister knows very well the guidelines he's working under, and it's his privilege to say, "I'm sorry," as the Minister of Defence, for example, in our committee has responded, "I am not permitted to...", etc. And that's most likely what the minister, on specific questions, will respond with.

I would encourage the parliamentary secretary to invite the minister. If they so choose—the members, that is—to ask these questions, and if they get open-ended...or responses that really don't make any sense, then they have to be prepared for that. I fully respect the process, and it is information that cannot be divulged, should not be divulged.

Mr. Chairman, I think there is also a responsibility on our part, as members, to convey what we're hearing from our constituents—our concerns and what's going on. I think that's where Ms. Nash is coming from.

I would say if she's prepared to understand these guidelines—that the minister might come and you won't get too many answers—without any hostility, I'd be prepared to move in that direction.

• (1330)

The Chair: Thank you, Mr. Cannis.

We'll go to Mr. Van Kesteren, and then Mr. McTeague and Mr. Stanton.

Mr. Dave Van Kesteren: Thank you, Mr. Chair. I will be voting against this motion, too, for those reasons. I think it's clear that there's no sense in bringing the minister down. Mr. Cannis has made some fine points. I don't think it's our job to invite the industry minister, but if we as a committee decide to do that, I think that's a wonderful idea. I agree with Mr. McTeague that there are many things we could talk to him about and ask him. So at the risk of having a committee...and I think it was also suggested that Foreign Affairs was the more appropriate committee, that makes a whole lot more sense.

Let's continue to do the good work we're doing. Let's not have a committee tied up with what I really think is going to be a waste of time. Let's do something constructive. If we do invite him down, let's talk about things that we all need to talk about.

The Chair: Thank you.

Mr. McTeague.

Hon. Dan McTeague: I want to support Ms. Nash's motion. I want the minister here.

This is not an amendment, but I'd like to get some feedback from committee members, pursuant to the wisdom of Mr. Cannis, and it is truly that. I'd like to see this motion read something to the effect that the committee requests that the Minister of Industry appear before the committee within the next—I'm thinking we have three weeks, we're off a week, and then we're back for three weeks—four- to six-week period.

I have questions, obviously, about this, whether he can choose to answer or not answer, Mr. Carrie, but I also have other questions, and I want to talk about a whole range of issues. I don't know how long it's going to take before we get to the estimates, but I wonder if the committee will consider the specificity of Ms. Nash's motion to deal with something that he may not be able to discuss for obvious reasons, recognizing that a number of the concerns the member has raised with respect to treaty compliance, RADARSAT-2, and consistency with the land mines treaty, all sound so much like the foreign affairs committee. That aside, this period of time would also let us know whether there is a regulatory bar that has been lifted as a result of the regulator saying yes or no.

So let's have the minister here, let's get him here in the next five weeks, and I think that would probably solve a number of concerns, rather than this back and forth about what the minister can and cannot say.

Frankly, Mr. Carrie, I think it has been six months. I know the minister will probably want to come before the committee. A whole host of issues have emerged, including some of the work we're doing on servicing, on the dollar valuation, on energy costs, on manufacturing. We've not heard from this minister, and I think this would be a great opportunity to do that, among other things.

So I'm offering it as a friendly motion to Ms. Nash. I'm trying to find what I think we all want. I want to hear from the minister.

The Chair: Thank you, Mr. McTeague.

Next I have Mr. Stanton and Ms. Nash, but before I go on, I just want to ensure that you said—it's not an amendment, but I guess it's a friendly suggestion—that the Standing Committee on Industry, Science and Technology request that the Minister of Industry, Jim Prentice, appear before the committee in the next four to six weeks.

Do I have that correct, Mr. McTeague?

Hon. Dan McTeague: Yes.

The Chair: Okay, that's the suggestion.

We'll go to Mr. Stanton and then Ms. Nash...unless, Mr. Stanton, you want Ms. Nash to respond first.

Mr. Bruce Stanton: On the amendment?

The Chair: On the friendly suggestion.

Mr. Bruce Stanton: By all means, because that's on the floor now. If Ms. Nash wants to respond, that would be fine.

The Chair: Ms. Nash.

Ms. Peggy Nash: I think it's perfectly reasonable to have the minister come here and to ask questions of him on a whole range of issues. What I would prefer is that we just have a vote on this motion, and if there's insufficient support, then the committee can always decide whether it would like to invite the minister at some

later date to appear, to ask him very general questions. But this motion is specifically about one sale, an issue about which I have received a great deal of response from the community, and I would prefer that if there is insufficient support, we just vote on it and be done with it.

The Chair: Okay. The friendly suggestion has been rejected, I guess.

Mr. Stanton gave his time to Ms. Nash, so we'll go back to Mr. Stanton, and then Monsieur Vincent and Mr. McTeague.

• (1335)

Mr. Bruce Stanton: Thank you, Mr. Chair.

I have more of a comment than anything. I only joined this committee when we started the second session in mid-October. To my recollection, this is actually the first time we've talked about having the minister come here, after having gone full-hog into the services study and the strengthening of the dollar.

Mr. Chair, while I'm hearing a lot of indignation from the members opposite about the minister not being here, this is really the first time the topic has ever come up. In fairness, I don't disagree that the questions raised by the motion here are important questions; there's no question they deserve being looked at by our committee or the foreign affairs committee. I think they are obviously important questions that Canadians would be interested in, but we also have an obligation to conduct this in terms of the proper protocol set out by the law.

So in principle, I don't see any major objections, and I would certainly look forward, as I'm sure my colleagues would, to being in a spot a few weeks down the road when the minister can come and discuss with us some of these key issues, including the ones we've been dealing with at some length these last few months.

The Chair: Thank you, Mr. Stanton.

We'll go to Monsieur Vincent.

[*Translation*]

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

Earlier, everyone was saying that some information cannot be disclosed. However, can you tell me exactly what information we're talking about? What are we referring to?

On the other hand, if RADARSAT is sold and finds itself in the hands of the Americans, they will have access whenever they want and however they want to information in our country.

We do not have access to this information because it cannot be disclosed. However, if the Americans purchase RADARSAT, they will have access to all of the information they wish on our territory.

I would like to receive a few explanations in this respect.

[*English*]

The Chair: I've been letting the debate go on, but I think I will respond to Monsieur Vincent.

Ms. Nash did give me notice of this motion ahead of time, and I certainly appreciate that and the questions she's getting, because I'm getting many of these questions as well.

When I had the meeting with the clerk and the researchers on Monday, my question was whether the motion was in order. My initial reaction was that the motion was not in order. The clerk informed me that the motion, from a procedural point of view, was in order, but the researcher said that from a substantive point of view, there were some serious problems with it, in the sense that under the Investment Canada Act, the minister cannot speak to any proposed sale. The minister cannot even acknowledge there is a proposed sale; the minister cannot even talk about a hypothetical sale. That's how restricted the minister is in terms of what he can say, so I asked the researchers to give me some information to guide me as chair.

We do have Mark with us here, who has prepared a document. Unfortunately, it's in English only, so I'm not going to distribute it to the committee. Perhaps Mark can speak to it, but my understanding is that if the motion is passed as is, I don't even know if the minister could technically come to the committee or if he would come, because anything he does or says cannot even hint at anything with respect to this possible commercial transaction. That's how limited he is by the Investment Canada Act.

I'm just offering that to try to be helpful as chair. If Monsieur Vincent wants to ask Mark any more specific questions from a legal perspective as to what the minister can talk to and what he can't talk to, Mark, could you respond to those?

Monsieur Vincent.

[Translation]

Mr. Robert Vincent: I fully understand your point of view. He is not able to talk about the sale, etc. However, the issue does not concern the sale. I don't want him to talk to us about the sale.

The question that I am asking myself is the following: If the transaction did take place and if RADARSAT were to change hands, what would the impact be on us, here in Canada? Whether or not it is sold for the sum of \$10 million, \$20 million or \$5 billion, I could not care less. What matters is the result of the sale. It is what we sell which is significant, not the price at which it is sold. It is the satellite in question which is of significance. For me, the price has no importance.

● (1340)

[English]

The Chair: Mark, do you want to comment on that?

If you can, identify what specifically we mean in terms of power restricted to ministers in terms of what he can say.

Mr. Mark Mahabir (Committee Researcher): According to the Investment Canada Act, any information related to a transaction that's being reviewed is privileged and confidential. What you're talking about are consequences of the transaction, which is a separate issue. I don't know if the minister actually has that information, and I don't know who does. That information is separate.

The Chair: As the chair, I'm trying to be helpful and I'm trying to get information from our parliamentary officers.

I have Mr. McTeague, Mr. Cannis, Mr. Carrie, and Ms. Nash.

Hon. Dan McTeague: Mr. Chair, with your indulgence and that of the committee's, I would amend the motion to the following. It

would read up to the point of "the next two weeks", which would be changed to:

four to six weeks, to discuss, among other things, the proposed sale of part of MacDonald, Dettwiler and Associates Ltd. to Alliant Techsystems, the decline in manufacturing and forestry or challenges facing the manufacturing and forestry industries, counterfeit and IP, and the service sector.

I don't want to be gonged by the chair for asking questions that are beyond MacDonald, Dettwiler and Associates Ltd.

This is a motion that I put before the committee. We all understand the minister will not be able to answer questions under the Investment Canada Act, but that his invitation here in the next four to six weeks deals with it, among other things.

The Chair: We want to make sure we get it.

Go ahead.

Hon. Dan McTeague: Mr. Chair, there is one thing. It's "to discuss, among other things, the proposed sale of part of MacDonald, Dettwiler and Associates Ltd. to Alliant Techsystems, recognizing his limitations...." There are limitations on the Investment Canada Act, but I think he can choose to say no and that's why I'm saying "discuss". I've taken away the words "answer questions concerning the review". Just leave it the way it is for now.

The Chair: Let's have the clerk read that.

The Clerk of the Committee (Ms. Michelle Tittley): I will reread the motion as it would read in its entirety as amended to ensure the committee can agree to the same text:

That the Standing Committee on Industry, Science and Technology request that the Minister of Industry, Jim Prentice, appear before the Committee in the next four to six weeks to discuss, among other things, the proposed sale of part of MacDonald, Dettwiler and Associates Ltd. to Alliant Techsystems, the challenges facing the manufacturing and forestry sectors, counterfeit and IP, as well as the service sector.

● (1345)

Hon. Dan McTeague: There was a concern raised by Mr. Cannis that we should have a comment reflecting the fact that the minister is barred from talking about the sale of MacDonald Dettwiler as a result of the Investment Canada Act. That's hard to put into a motion. Unless somebody can offer that to me now, I don't....

The Chair: Okay. I have a speaking list here and I have other members who want to speak, so we'll proceed with the speaking list, and if you have a subamendment to the amendment.... Until we deal with the debate, our discussion will be on the amendment.

We'll go to Mr. Cannis.

Mr. John Cannis: Mr. Chair, knowing the restrictions and the limitations that the minister is legally faced with, I was simply going to add, in response to a well-placed suggestion by my colleague, Mr. McTeague, that, "in as far as the Minister is permitted or allowed by law to discuss". So we're also putting that, knowing very well that the minister will respond, "I am sorry, I am not permitted to discuss based on"—as the parliamentary secretary said—"confidential information".

Hon. Dan McTeague: He'll take it as far as he can.

Mr. John Cannis: So I am adding, “in as far as the Minister is permitted or allowed to discuss by law”. The clerk can rephrase it, but I think everybody understands where I'm coming from on that.

The Chair: As far as permitted by law to discuss.

Mr. John Cannis: That's right. That's with respect to—

The Chair: Investment Canada.

Mr. John Cannis: Yes.

Are you continuing the discussion?

The Chair: That is a subamendment.

Hon. Dan McTeague: Well, I don't know if that is a subamendment, but that might work if you want to put that in as my motion. I don't have a problem with that being part of the motion. It is just that it makes the motion long and prolix. That is the problem.

The Chair: Just let me confer with the clerk.

Okay, ladies and gentlemen, it is technically a subamendment and the debate is on the subamendment. The subamendment is in order. Now I am taking speakers on the subamendment. I have Mr. Carrie and Ms. Nash.

Mr. Colin Carrie: Thank you very much, Mr. Chair. I want to thank the members for their input.

I was wondering if we could talk about the subamendment and take a step back for a moment, because as my colleague, Mr. Stanton, said, this is the first time it has been mentioned that we'd like to have the minister here. I know the minister would like to come and discuss things with the committee.

First I'd like to know this from the clerk. If these are substantial changes to this notice of motion, do we need a new one brought forward to the committee?

Maybe a simpler way to address this might be, if we could agree, to have the committee write a letter to the minister asking him to please come before the committee within four to six weeks. As I heard Mr. Simard say, make it really simple; don't put anything in front of it, so that you can ask him whatever and have it a bit more open. That way might be a simpler way to address this entire situation.

The Chair: Thank you.

Ms. Nash, please.

Ms. Peggy Nash: I didn't request to speak.

The Chair: Oh, I'm sorry, I had you down. This is the debate on the subamendment.

Mr. Cannis.

Mr. John Cannis: I am just going to respectfully respond to the parliamentary secretary. By doing it that way—now maybe I shouldn't be protecting your minister this much—by making it as broad as you just outlined, you are opening him up for bombardment. The floor will be open, and we are setting guidelines here for him. We have worked very well on this committee in the past with great cooperation. That's what I'm seeing here.

So with all due respect, Mr. Carrie, on your suggestion to just send him an invitation to be here in two to four weeks, he'd better bring his shield and armour because you are allowing everybody to throw everything and anything, especially with the motion that Ms. Nash put on the table. She will then have every right to ask and expect a response. If he doesn't respond, he is susceptible to a lot of criticism. I am just being helpful to your minister.

Mr. Colin Carrie: Thank you very much.

The Chair: Let's go to Mr. Stanton now.

Mr. Bruce Stanton: On Mr. Carrie's point—and I too appreciate, by the way, the interested members trying to get this going in a more constructive direction—are not these proposed changes to Ms. Nash's original motion substantial in the fact that they go beyond the ability of a simple amendment? Are we not required to go back here and actually see a new motion put before the committee?

• (1350)

The Chair: I declared the amendment in order. As you'll see, I was willing to accept the amendment that we cut out everything and just ask the minister to come in the next four to six weeks, which was Mr. McTeague's idea.

I was prepared to accept that, and it was as substantive an amendment as this is.

I don't have any further speakers on the subamendment.

Mr. Van Kesteren.

Mr. Dave Van Kesteren: I agree with Mr. McTeague and I appreciate what he said. I'd like to see the word “declining” changed to “challenges facing”. You're talking about the decline in the manufacturing sector; I'd say “challenges facing”.

The Chair: I'm sorry, that is debate more on the amendment.

Mr. Dave Van Kesteren: Yes.

The Chair: The discussion is on the subamendment of Mr. Cannis. You can bring that forward on the amendment.

Mr. Dave Van Kesteren: Okay.

The Chair: Mr. Simard.

Hon. Raymond Simard: I just had a point of clarification. I think the motion says “among other things”, but doesn't limit itself to these things.

The Chair: Mr. McTeague.

Hon. Dan McTeague: Chair, could I get a straw poll, through you, as to whether or not we can go back to what I first offered as a friendly amendment, which would basically see the minister appear before the committee in the next four to six weeks to discuss general topics of interest to the committee?

Is there consensus here, Mr. Chair? I can get into specifics. We'll proceed with the motion, the subamendment, and my amendment, and then, ultimately, Ms. Nash's motion, should it survive as it is.

I just want to know, through you, Chair, whether there is consensus in the committee to determine whether or not to have a simple “have the minister here in the next four to six weeks to discuss a variety of topics”.

The Chair: I think Mr. McTeague is asking whether his initial friendly amendment would be better, instead of the amendment and the subamendment—or the original motion.

Do members want to raise their hands and indicate to me whether there's agreement with that?

I'm not really sensing agreement with it.

[*Translation*]

Hon. Dan McTeague: We are getting too specific. A motion such as that one is good.

[*English*]

The Chair: Do I have agreement with this?

I don't have agreement with it. I'm sorry.

I have Monsieur Vincent.

[*Translation*]

Mr. Robert Vincent: Once we reach that point, can we ask to hold another vote on the subamendment?

A member: Yes.

Mr. Robert Vincent: Let's just ask for a vote on the subamendment and deal with it once and for all. Otherwise, we will not be out of here before 6:00 p.m. tonight.

[*English*]

The Chair: Okay, the question is on the subamendment.

Mr. Colin Carrie: Could you read the subamendment, please?

The Clerk: The subamendment would insert the following text after “to discuss among other things the proposed sale of part of MacDonald, Dettwiler and Associates to Alliant Techsystems”, so that the subamendment would read “(in as far as the Minister is permitted or allowed to discuss by law)”.

The Chair: Okay. We'll call the question on the subamendment.

(Subamendment agreed to)

The Chair: Now discussion is on Mr. McTeague's amendment.

Mr. Van Kesteren, what is your point on the amendment?

Mr. Dave Van Kesteren: Could we first reread it? Then I'll make a comment.

The Chair: Sure.

Reread it with the subamendment.

The Clerk: I'll begin with the original amendment and indicate where the amendment and subamendments come in so that it's clear for committee members.

It is:

That the Standing Committee on Industry, Science and Technology request that the Minister of Industry, Jim Prentice, appear before the committee in the next

—then the amendment would begin—

four to six weeks to discuss, among other things, the proposed sale of part of MacDonald, Dettwiler and Associates to Alliant Techsystems,

—and the subamendment would begin—

(in as far as the Minister is permitted or allowed to discuss by law),

—and we're returning to the amendment now—

the challenges facing the manufacturing and forestry sector, counterfeiting and IP, as well as the service sector.

● (1355)

The Chair: All right, we'll go to the question on the amendment.

(Amendment as amended agreed to)

(Motion as amended agreed to [*See Minutes of Proceedings*])

The Chair: Thank you. We will see you tomorrow afternoon.

The meeting is adjourned.

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

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