



House of Commons
CANADA

Standing Committee on Industry, Science and Technology

INDU • NUMBER 015 • 2nd SESSION • 40th PARLIAMENT

EVIDENCE

Tuesday, May 5, 2009

—
Chair

The Honourable Michael Chong

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Standing Committee on Industry, Science and Technology

Tuesday, May 5, 2009

• (1530)

[English]

The Chair (Hon. Michael Chong (Wellington—Halton Hills, CPC)): Welcome to everyone.

Pursuant to Standing Order 81(4), we're studying the main estimates for 2009-10.

I'd like to welcome the Honourable Tony Clement, Minister of Industry, who is in front of us today along with his departmental officials, Mr. Richard Dicerni, deputy minister of industry, and Mr. Paul Boothe, senior associate deputy minister. I'd like to thank all of you for coming on short notice and for coming in front of our committee to answer our questions about the main estimates.

We'll sit until about 5:15 this afternoon. Then the minister can leave and the committee can then vote on the estimates and report them back to the House.

Without any further ado, I give the floor to Minister Clement.

Hon. Tony Clement (Minister of Industry): Thank you, Mr. Chair. I appreciate the opportunity to be with you this afternoon and to come to the Standing Committee on Industry, Science and Technology to discuss the 2009-10 main estimates.

As you noted, I have my senior officials here with me. To my left is Richard Dicerni, the deputy minister. To my right is Paul Boothe, the senior associate deputy minister, and behind me we have Kevin Lindsey, the chief financial officer, and Ron Parker, the senior assistant deputy minister for the industry sector.

[Translation]

At our meeting in February, I began my address by outlining the rapid deterioration of the global economy. We don't yet know how long the recession will last, but we do know that one day there will be a recovery.

[English]

The challenge for the industry portfolio is to help ensure that we weather the current economic storm and set policies and programs in place to prepare Canada to be more competitive than ever whenever we return to economic good times.

As we discussed in February, Canada faces the challenges with sure footing on some very solid foundations. We've got the strongest banking sector in the world, we have paid down a significant amount of federal debt in years gone by, our fiscal structure remains sound, we have dramatically reduced taxes in the last four budgets, the private sector enjoys one of the most innovative tax credit systems in

the world, and we have set the conditions to make Canada an attractive place to invest.

We've had a long-term strategy in place since 2006. Advantage Canada, as it's known, was designed during a period of economic expansion, to be sure, but it has proven to be a good strategy for the downturn as well. When the Minister of Finance introduced Canada's economic action plan this past February, we built upon these advantages.

They include a fiscal advantage. Let me say that in sharp contrast to many other OECD countries, Canada had been reducing debt and carefully managing spending before the recession hit. This gives us room to put in place measures to support the economy without putting our long-term fiscal position at risk.

We have a tax advantage. Budget 2009 proposes over \$20 billion in new tax relief over 2008-09. Since 2006 we have increased total relief for individuals, families, and businesses to about \$220 billion over five fiscal years.

We have an infrastructure advantage. Even before the downturn, we had been investing more in infrastructure than at any other time in the past half century. The economic action plan accelerates and expands these investments with almost \$12 billion in new infrastructure stimulus funding over the next two years. These investments will put shovels in the ground today. They will put paycheques in worker's pockets today and put food on the family table. They will also build infrastructure that will improve our competitiveness and quality of life for decades to come.

There is the entrepreneurial advantage. We have taken significant steps to cut red tape. In the January budget, we took further measures by proposing to establish a Canadian securities regulator and to work with the provinces to amend the agreement on internal trade.

Finally, there is the knowledge advantage. Our goal there was to create the best educated, most skilled, and most flexible workforce in the world.

Mr. Chairman, the economic action plan launches the Canada skills and transition strategy to help Canadians weather the economic storm. We have also made significant investments in our S and T strategy, which you heard about in question period today. I will seek to elaborate on those in just a few minutes.

The Advantage Canada long-term strategy is taking hold. It is proving its worth during the recession, and we will stick to the strategy simply because it is working. It will help us get through the downturn and prepare for a more competitive economy down the road.

Mr. Chairman, when I met with this committee in February, I talked about S and T, manufacturing, and small business development. I'm pleased to have this opportunity to update the committee on these files and to talk about some of the other issues that arise from the 2009-10 main estimates.

S and T is an integral part of our strategy to build Canada's knowledge advantage. We will build a competitive advantage for Canada based on excellence in S and T. Investing in S and T is crucial for developing highly skilled people and improving the long-term competitiveness of Canadian firms.

In the previous three budgets, the Government of Canada provided over \$2 billion in new funding for S and T. In Canada's economic action plan of this year, we are investing more than \$5.1 billion in new funding towards science and technology initiatives. This represents one of the single largest federal investments in S and T today.

Let me remind the committee of just a few of those measures. In March we announced a \$2 billion investment in the new knowledge infrastructure program. This will support infrastructure enhancement at secondary institutions, colleges, and universities across the country. The presidents of the colleges and universities have told us that this was their top priority. These investments create jobs in the short term, but they also provide the infrastructure that universities and colleges require for years to come.

We are investing \$750 million in the Canada Foundation for Innovation in support for equipment and facilities, and another \$250 million over two years to undertake an accelerated investment program to address deferred maintenance at federal laboratories.

● (1535)

The economic action plan also commits \$110 million over three years to the Canadian Space Agency to support research and development in terrestrial prototypes for space robotic vehicles. Canada is and should remain a global leader in this technology, Mr. Chairman.

The Canadarm became a source of national pride—we know that—and Dextre advanced Canada's reputation as a robotics leader. We developed the technology to service satellites while they're still in orbit. With the investment in the Canadian Space Agency, we will protect Canada's heritage and leadership in robotics and move on to the next phases of the technology. We want to remain at the forefront of space robotics with projects such as the Mars Lander and the lunar rover. These technologies have many applications closer to home as well. The country that is the leader in building space robotic vehicles will also be the country at the forefront of such technologies as electric cars and robotics used in the mining industry.

Canada's economic action plan also provides \$200 million over two years to the National Research Council industrial research assistance program, or IRAP, as it's known. Members of this committee are well aware that IRAP has been a very popular

program for the NRC. The budget provides \$170 million to double IRAP's contribution funding and \$30 million to help companies hire over 1,000 new post-secondary graduates in business and science. Once again, Mr. Chairman, here is a program that will provide 1,000 new jobs in the short term. These jobs will help businesses develop competitiveness and skills that will help them in the years to come, as well.

The budget provides \$87.5 million over three years to temporarily expand the Canada graduate scholarships program. An additional 2,000 master's students and 500 doctoral students will be able to advance their studies, deepen their skills, and better prepare to capitalize on the opportunities ahead.

Mr. Chairman, our S and T investments covered in these estimates also include \$50 million for the Institute for Quantum Computing in Waterloo, Ontario. This institute will support the construction and establishment of a new, world-class facility. The investments also provide \$5 million to help establish the Ivey Centre for Health Innovation and Leadership at the University of Western Ontario. And they supply \$3.5 million over two years to the Networks of Centres of Excellence so they can offer an additional 600 graduate internships through the industrial research and development internship program.

Our S and T investments also include up to \$85 million over two years to maintain or upgrade key, existing Arctic research facilities. These investments will ensure that a strong research infrastructure network is in place to support Canada's new high Arctic research station.

In all these examples, Mr. Chairman, we're making investments in a way that stimulates the local economy now and provides the foundation for competitiveness for many years to come.

Mr. Chairman, Canada's entrepreneurial advantage includes framework laws that give both businesses and consumers confidence in the rules of the marketplace. As a result of Canada's economic action plan, we've taken significant measures to streamline and modernize the Competition Act and the Investment Canada Act.

Canada's competition and investment policies serve the country well. They yield a tremendous economic gain, but they have not changed substantially since the 1980s. We needed to bring our framework laws in line with the demands of the modern knowledge-based global economy.

This committee is well aware that in July 2007 we asked Mr. Red Wilson to chair the competition policy review panel to examine the Competition Act and the Investment Canada Act. The panel submitted its final report in June 2008, and we moved swiftly on the panel's recommendations by incorporating them into the Budget Implementation Act, which received royal assent in March. Reforms to the Competition Act protect Canadian consumers more effectively from anti-competitive behaviour and deceptive market practices such as misleading advertising, mass marketing fraud, and price fixing.

The Commissioner of Competition now has recourse to administrative monetary penalties for abuse of dominance. This will provide greater deterrence for anti-competitive behaviour. We have substantially increased fines and jail terms for price-fixing cartels. Businesses will have more certainty under the new rules governing merger review.

Mr. Chairman, these amendments strike an important balance. On the one hand, we ensure that the law will not discourage legitimate business activity, because legitimate businesses have nothing to fear from these changes. In fact, those considering mergers and acquisitions will find the new rules more straightforward.

• (1540)

At the same time, we provide better protection for consumers and companies engaged in honest business practices. Now other elements of the Budget Implementation Act have amended the Investment Canada Act. Further reviews of proposed investments will be applied only to the largest and most important perspective—investments. By raising the threshold for review gradually, we are making it easier for foreign investors to create jobs in Canada by investing here.

I would like to emphasize the importance of our national security amendments. Before now, Canada was the only major industrialized country that did not have a mechanism for reviewing foreign investments on the basis of national security. The national security review mechanism that we now have in place is consistent with our international obligations and is not disguised protectionism. Before leaving the topic of marketplace framework law, let me give the committee a sneak peak at what we will discuss in the coming weeks under Bill C-27, the Electronic Commerce Protection Act.

Members of this committee are well aware of the tremendous growth in online commerce. In 2007 StatsCan reported that the Internet accounted for \$62.7 billion in sales in Canada, and this year e-commerce is projected to exceed \$8.75 trillion worldwide. But along with the growth of the Internet has come the growth of online threats, including spam, spyware, malware, trojans, and viruses. Spam now makes up over 80% of global e-mail. It is a major inconvenience and a drain on bandwidth in its own right, but spam is also a conduit for other malicious online threats. With Bill C-27, we will take major steps to combat spam and other online threats. We will use the regulatory authorities of the Canadian Radio-television and Telecommunications Commission, the Competition Bureau, and the Privacy Commissioner. We will also give businesses and consumers their own recourse to the courts to fight spammers.

We worked hard to get this bill right. The government has closely studied the regulatory and legal frameworks in other countries, and Bill C-27 brings together many of its best practices. As for small

business, the government recognizes the particular challenges small businesses face and has taken measures to foster an environment conducive to growth.

Access to credit is a major concern. Budget 2009 increased the Business Development Bank of Canada's borrowing capacity, and this improves financing available to creditworthy businesses. The government is also improving the Canada small business financing program by significantly increasing the maximum eligible loan amount. Government-funded business services such as BizPal and the Canada Business Network provide essential information for small business owners to help them start and grow their businesses while at the same time reducing the paperwork required to meet government obligations.

We're investing in Canada's youth by helping the country's young entrepreneurs through funding for the Canadian Youth Business Foundation. Measures have also been taken to reduce taxation. We have accelerated the reduction of the small business tax credit, which is now 11%. The GST has been reduced. The lifetime capital gains exemption has been increased, and there are generous tax credits that promote research and innovation. These are some of the steps taken to help small businesses in this difficult economy

Our government is also taking steps to ensure that Canada emerges from this economic crisis with a more modern and greener infrastructure. Budget 2009 accelerates and expands the recent federal investment in infrastructure, with almost \$12 billion in new infrastructure stimulus over the next two years. We are talking about shovel-ready projects. These are projects that can start as soon as the upcoming construction season begins, including the development of roads, bridges, clean energy, and broadband Internet access across the country.

We've also provided \$1 billion over two years for a community adjustment fund. Additional economic stimulus will mitigate the short-term impacts of the economic downturn by creating employment opportunities and will address the transitional and adjustment challenges in restructuring industries or communities. CAP assistance in Ontario will be provided on a priority basis to communities severely affected by the economic downturn, including those that are reliant on resource-based industries such as forestry, mining, and those that depend on the manufacturing industry.

We're also investing in Ontario's communities. Recreational Infrastructure Canada will provide \$500 million over the next two years to build and renovate hockey arenas, swimming pools, and other rec centres. In addition, Canada's economic action plan committed \$225 million over the next three years to extend broadband access to Canadians who currently have no Internet access or who have only very limited access, particularly those living in rural and remote areas of our country. It's an important initiative that will lay the groundwork for the future economic and social success of all Canadians.

● (1545)

In today's economy, broadband is a vital part of the modern communications infrastructure and an important tool in the knowledge economy. Broadband brings with it important economic and social benefits, such as access to telehealth services, improved business opportunities, and distance learning. Broadband will give Canadian homes and businesses an unprecedented ability to access information, services, and opportunities that would otherwise be out of reach. Canadians in connected areas know that a good website is an important business tool. Parents and educators know how the Internet can help children study and learn more about the world. The broadband program will provide these same services to more Canadians regardless of where they live. We hope it will be a dramatic improvement over the services currently offered to Canadians with limited access to this important resource.

Finally, Mr. Chairman, I know the committee would want me to say a few words about the situation facing Canada's automotive sector. One way to support the sector is to help make credit more available. As the committee will know, the economic action plan introduced the new Canadian secured credit facility to purchase asset-backed securities backed by loans and leases on vehicles and equipment. This facility will provide up to \$12 billion to support the auto and manufacturing industries through the financing of vehicles and equipment for consumers and businesses. In addition to increasing the amount of credit available, we're taking steps to enhance consumer confidence. We expanded the accounts receivable insurance program by \$700 million, bringing the government's total exposure to \$1.25 billion. This is proportionate to what is available to U.S. suppliers through the auto supplier support program.

We also created the Canadian warranty commitment program to help auto consumers by backstopping warranties on new vehicles purchased from General Motors Canada or Chrysler Canada while the companies work through their restructuring plans. This will help Canadians feel more confident about their purchases. It will help maintain sales volumes. And of course we are coordinating our efforts with the U.S. government, because as we know in this highly integrated industry, we all need to work together.

All this is in addition to the short-term financing we have provided in partnership with the Government of Ontario to help the companies' Canadian operations while they restructure. Last week we certified Chrysler Canada's restructuring plan and together with the Government of Ontario we provided funding support to Chrysler Canada and Chrysler LLC to further those efforts and maintain a 20% production share in the North American market. All told, our two governments have jointly loaned \$3.775 billion to Chrysler, which is proportionate to the U.S. \$12.08 billion authorized by the U.S. government.

● (1550)

[*Translation*]

Mr. Chairman, I'm convinced the committee will want to discuss many other aspects of the industry portfolio. For example, we have established regional development organizations for southern and eastern Ontario and increased funding for the Community Adjustment Fund.

[*English*]

Last month we announced projects funded through the marquee tourism events program, a \$100-million initiative over two years that is a key part of Canada's economic action plan. So the industry portfolio is, as you know, Chair, very broad in its reach, and I focused on just a few of the initiatives that I wanted to bring to the committee's attention. The recurring theme, if I may say so, in all these investments is that we are taking action now to provide stimulus to the economy in tough economic times. We are doing it in a way that sticks to our long-term strategy. In this way, Chair, we will create a more competitive Canadian economy for the future.

Thank you, and I would welcome the committee's questions.

The Chair: Thank you, Minister Clement.

We'll begin with Mr. Garneau.

Mr. Marc Garneau (Westmount—Ville-Marie, Lib.): Thank you, Mr. Chair.

Thank you, Minister, for your comments.

I have a number of questions. First, I want to ask about what you call the knowledge infrastructure. We're talking about \$2 billion here, which I assume is part of the \$5.1 billion. Would that be correct?

Hon. Tony Clement: Correct.

Mr. Marc Garneau: So that's 40%. I'd like to dig down and understand what exactly this bricks and mortar infrastructure funding is and how you relate it to science and technology. What are the requirements to be met to access this funding?

Hon. Tony Clement: The requirements are that it's a shovel-ready project that relates in some way to research and development. If you remember your Venn diagrams, research and development is a larger circle, and science and technology is a smaller circle. So research and development can be in the science and technology field. It can also be in social sciences or humanities, but it has to relate to R and D in some way. It could be something like revamping a laboratory or modernizing a classroom. All these things will help in R and D in the future and from our perspective would qualify.

I believe we have been able to announce funding in three provinces. I myself announced funding for British Columbia and Nova Scotia projects. Gary Goodyear announced them for Alberta projects just yesterday. They will continue to roll out as we seek provincial partners in their funding arrangements with their colleges and universities as well.

Mr. Marc Garneau: You called it science and technology initiatives, as opposed to broader R and D. Does that mean that virtually any building on a campus—and you also mentioned the secondary level—is eligible for this funding?

Hon. Tony Clement: Not secondary education. It would have to be college or university.

Mr. Marc Garneau: Oh, okay.

Hon. Tony Clement: I probably said “post-secondary” quickly.

It does have to be post-secondary. It does have to be related to research and development. It cannot be, let's say, a dormitory. That would be a project that one could not justifiably relate to research and development. Some may disagree, but that's our position. Another example is building a road inside a campus. That would not qualify.

Mr. Marc Garneau: I assume a building that is used for the faculty of English, for example, would qualify.

Hon. Tony Clement: Yes, I would say it certainly could if it has to do with some aspect of research of English literature, for instance. I want to stress, and I did mention it in the science and technology part of my speech, that I'm very conscious of the fact that it is broader than that. It could be in the social sciences or humanities as well.

•(1555)

Mr. Marc Garneau: I appreciate that clarification.

I have some charts here that are from Statistics Canada that show that as of 2005, the federal funding for university research for natural sciences and in engineering and social sciences research—inflation-adjusted in 2002 dollars—has been actually decreasing since 2005. This is Statistics Canada information.

Would you agree with the fact that if one adjusts for inflation, the actual amount of money that has been allocated to NSERC and SSHRC has decreased?

Hon. Tony Clement: In the main estimates I have it in constant Canadian dollars. For the 2006-07 budget it amounted to \$6.261

billion, and in 2007-08 it was \$6.481 billion. And of course, as I said, this year there is a \$5.1 billion net increase—that is, an incremental increase. So from our perspective the numbers are going in the right direction. We believe it is part and parcel of our economic strategy to invest in knowledge infrastructure, and that must continue. And certainly, in that large an envelope, it is incumbent upon government to always review what we're doing to make sure it is effective and make sure it meets the goals that are aspired to by the public.

But at the same time, I believe we have an economic obligation to continue these kinds of investments, as well as, quite frankly, having a moral obligation. When you're talking about basic research, for instance, this is important for us to understand our world and our universe. And part of the moral obligation, as well, is that for our businesses to compete with the world we need to have an advanced knowledge infrastructure. So that's our position, and that's what the science and technology strategy has explained since 2007.

Mr. Marc Garneau: Well, I agree with what you just said in terms of our aims. I would like to submit these graphs to you to find out if they're correct or incorrect.

In terms of federal S and T spending as a percentage of total federal expenditures, again a Statistics Canada chart is showing that is on the decrease. I'd like to have your opinion on whether, in these times in which we live, federal S and T expenditures as a percentage of total federal spending should at least be maintained, if not increased.

Hon. Tony Clement: Certainly I'd like to review the data and make sure they include everything. What we have to do as parliamentarians, of course, is make sure we're comparing apples to apples.

For instance, there's been a lot of commentary about President Obama's plans and whether our plan measures up to President Obama's plans. President Obama's plans, when you actually peel away the onion a little bit, include classroom education. That's part of their science and technology or R and D strategy. Of course, the federal government is not in charge of classroom education, so you have to immediately segment that part out.

When you look at it comparing apples to apples, as a percentage of the budget stimulus package, we are in fact the highest in the G-7, including the United States and the Obama administration's plan. I think that tells the story right there.

The Chair: Thank you, Minister.

Thank you, Mr. Garneau.

Monsieur Bouchard.

[Translation]

Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ): Thank you, Mr. Chairman.

Thank you for being with us this afternoon, minister.

In Quebec, the Minister for Economic Development establishes development assistance programs. That minister has established advisory committees that advise him on content of the programs and changes that should be made to them. In addition, an effort is made to ensure those programs are consistent with the reality.

A number of entrepreneurs are appointed to some of those advisory committees. Those entrepreneurs often receive grants from Canada Economic Development. In your view, could that process lack objectivity? Could there be an appearance of conflict of interest?

• (1600)

Hon. Tony Clement: In the federal context, we get advice and expert opinions in this field, of course. For example, we call on the Science, Technology and Innovation Council. That council consists of representatives of the university research field, but also of business. To obtain relevant opinions, the government must be able to rely on an appropriate advisory group.

In my opinion, that's not a situation of conflict of interest. If you have any information or a specific example to give me, tell me about it. Then I'll be able to answer you.

Mr. Robert Bouchard: I'm talking about the advisory committees in the regions. There are some 15 regions in Quebec, and those committees are related to those regions, not to the major sectors that you've just mentioned. Entrepreneurs sit on those committees. They receive grants and advise the minister with regard to changes that should be made to certain programs. I don't have any examples to give, but I know very well people who are members of those committees and who receive grants.

These advisory committees don't include any representatives of non-profit organizations: they mainly include business people. Wouldn't they be more representative if they included representatives not only of private businesses, but also of non-profit organizations?

Hon. Tony Clement: Yes. I don't think that question falls within my area, but I believe it is important to get the opinions of representatives from all areas of our economy, whether it be business people or representatives of the public sector. I think our government has supported that policy.

Mr. Robert Bouchard: Minister, as you are no doubt aware, the minister at the time, Mr. Blackburn, had decided to see all the files. Government officials previously had some room to manoeuvre in terms of decision-making. I believe that was for all projects under \$100,000.

Waiting times have increased from three to six months since that measure went into effect. Moreover, page 8 of the document you submitted to us refers to Canada Economic Development for Quebec Regions. If I compare 2009-2010 to 2010-2011, I see there is approximately a 10% reduction in human resources.

Do you think that increasing waiting times from three to six months and cutting staff will have the effect of further extending those waiting times?

• (1605)

Hon. Tony Clement: In fact, the Prime Minister has assigned this part of our portfolio to Mr. Lebel. If your question comes under Mr. Lebel's responsibility, however, I can submit it to him and ask him to provide you with an answer.

Mr. Robert Bouchard: Under your budget, minister, I believe an estimated \$225 million is set aside for wireless services and Internet access for unserved areas. I assume these are mainly rural areas, which is interesting.

However, the Quebec government is introducing a program to serve unserved areas. Will the federal government be implementing a program that might complement that of the Quebec government, in particular?

Hon. Tony Clement: Thank you. That's a good question.

It's important to cooperate with the provinces and territories. If there is a support program for broadband service, it would be possible to establish an action plan jointly with the Quebec government, for example. I know it has a plan to cover the regions where these services are not currently offered. It would be possible to get that information. Perhaps there would be a way to establish a plan that would combine the investments of the two governments.

Mr. Robert Bouchard: From what I know about the Quebec government, there's currently no complementarity or harmonization.

So can you give us assurances, minister, that you will be instructing your officials to establish a complementary program with the Quebec government?

Hon. Tony Clement: That's what I hope. We have to see whether that's possible.

The Chair: Thank you, Mr. Bouchard and Mr. Minister.

Mr. Bouchard, there's more than one minister in the Department of Industry. Mr. Denis Lebel has responsibility for Canada Economic Development for the Quebec Regions.

Mr. Robert Bouchard: Of course, I know, but from what I understand, he reports to the minister here present.

The Chair: But Denis Lebel is responsible for Canada Economic Development for the Quebec Regions, not Mr. Clement.

Mr. Robert Bouchard: I thought Mr. Lebel was under your orders, minister. I attributed too much responsibility to you.

The Chair: Thank you, Mr. Bouchard.

[English]

Mr. Wallace.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chair.

Minister, thank you for coming. I appreciate the excellent overview of what we're doing in the economic action plan, with the very high-level activity in your department and the responsibilities you have.

I have a couple of questions that are not really for you, actually, but for your staff, if you don't mind. Then I have one question for you.

I'm one of the people around the table who love estimates in terms of going through them. I still have my books from every year. I've gone through the things.

The estimates we're looking at, just so people are clear, are not really reflective of exactly what Minister Clement has put forward. They were done last fall, based on last year's budget. Is that an accurate statement? For us to see the actuals that were spent.... Normally a report comes to the House in the fall, I believe.

Somebody from the finance side might want to come forward, because there will be finance questions.

So it comes forward in the fall, and it doesn't come to committee but goes directly to the House. Is that an accurate statement?

• (1610)

The Chair: Could you identify yourself, please, for members of the committee?

Mr. Kevin Lindsey (Chief Financial Officer, Department of Industry): I'm Kevin Lindsey, chief financial officer.

The public accounts, which go to the public accounts committee, contain the actual numbers. You're right, the departmental performance report will also include those actuals and will be tabled in the House.

Mr. Mike Wallace: But they don't actually come to this committee directly. They go to the House first, right?

Mr. Kevin Lindsey: Correct.

Mr. Mike Wallace: Okay. I appreciate that. That might be something I'll be looking at.

I like to compare, because what we're comparing here is estimates. We call it the estimates around here, but it's the budget, and the budget from one year to the next doesn't tell us exactly how much was spent, really.

I'm on the finance committee too, and the vast majority of the finance estimates are requirements. There's no flexibility. There's no decision-making. The amount of money that we give to the provinces for transfers and so on is there. The 6% is policy on the HST transfer, and so on.

How much flexibility is in here in terms of a percentage basis? Does the department have a tremendous amount of say on what things get spent, or has it pretty much been determined?

Take wage rates, for example. You don't really have a say over what the wage rate will be in the department. Could you give me a breakdown of approximately what the percentage is? Or have you worked that out?

Mr. Kevin Lindsey: You are right with respect to salaries, which represent about 65% of our operating budget expenditures. The rates are non-discretionary. We have approximately 5,800 people. They're paid x amount of money. That consumes about 65% of the operating budget.

Mr. Mike Wallace: Okay.

When I look at the planning report in the estimates, at your individual report, the human resources allocations that you have there for 2009-2010 and the next two years after that are pretty steady, pretty stagnant. I'm assuming that's prior to the issues that we are now facing in the economy. Would that be a fair statement?

Do you expect that number to change, and by how much would they change, in supplementary estimates A, B, and C? Or do you think you'll be able to handle the workload with the number of people you have in the department now?

Mr. Richard Dicerni (Deputy Minister, Department of Industry): What we're trying to do now is redeploy personnel to address emerging priorities, such as the knowledge infrastructure program. We've brought people in from our regional offices. We've brought people in from different programs and redeployed them on a temporary basis to these priorities. It was the same thing with the marquee festivals program—partially because we needed to get the job done quickly and we did not have time to go through the process of hiring and so forth.

Mr. Mike Wallace: Okay.

Will all of the great things that the minister highlighted earlier be in supplementary estimates A, mostly? Will we be able to get that financing, then, in supplementary estimates A?

Mr. Kevin Lindsey: They'll come to us through a combination of supplementary estimates A and the statutory authority contained in the Budget Implementation Act for a portion of the initiatives. We will access the central Treasury Board vote 35 for a portion of the money.

Mr. Mike Wallace: Okay.

My second-last question, if I have time, is on something that has popped out for me here. I look for little changes that happen, or big changes, either way. Grants and contributions in these estimates had a significant increase. I know that this was done prior to the recent economic update, but what was this increase for?

Mr. Kevin Lindsey: The bulk of the increase, about \$120 million of the \$132 million, is attributable to two initiatives. One is an automotive innovation fund, which is included in these main estimates. It was not in the previous year's, although it came in to us through supplementary estimates. The second item is a top-up for the Canada Foundation for Innovation—same story: in these estimates, not last year's.

Mr. Mike Wallace: Not last year's.

My final question is for the minister. We've had the space agency people come to see us as members of the industry committee. Their concern is that we want to stay on top of the list in the sense of being a leading space nation. Do you have any comment? Are we heading in that direction? Are we doing that? Is the funding going to help us get there, continue that process? Do you have a comment on the space agency?

• (1615)

Hon. Tony Clement: Yes, I must say to you and to the chair, certainly I've gotten to know the space agency very well. I take this part of my portfolio very seriously. I must say I'm very impressed with the management we have in place there. Steve MacLean is doing an excellent job for Canadians. He is developing a long-term plan for the Canadian Space Agency, which will capitalize on our strengths, make sure we continue to be.... Quite frankly, we consider ourselves a power in space—a power for good, of course—and we want to continue that. It helps us, as I mentioned. All the advanced robotics we do helps at the space station and other orbital initiatives, and it also helps us develop technology that could be used in mining, forestry, or whatever. So I'm quite looking forward to the long-term plan being completed, which it will be very, very, soon, and that will assist us in planning for the future.

The Chair: Thank you very much, Mr. Wallace, for those detailed questions, and Mr. Minister.

Mr. Masse.

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

Mr. Minister, the automotive engineering building at the University of Windsor is shovel-ready and meets the criteria you've outlined. What's the delay in funding this project, especially given the conditions in Windsor right now?

Hon. Tony Clement: There's no delay. We are going through a process of working with the Province of Ontario. The designated minister is Minister Smitherman. At the end of the review of those proposals—I think we have something like close to 200 proposals in Ontario.... We are going to continue to review those and hope to have an announcement out soon.

Mr. Brian Masse: Okay. Well, thank you, Mr. Minister. With the current conditions in Windsor, I hope this will move fast.

Hon. Tony Clement: Yes, and in fact I took the time, you should know, Mr. Masse, to meet directly with the proponents to hear their side of the story, and that was a very productive meeting.

Mr. Brian Masse: Thank you for doing that.

Moving on to a letter you received from the Canadian Association of Research Libraries, what's happened is that the Canada Institute for Scientific and Technical Information, CISTI, Canada's national science library, is being slashed by 50%, and then another 20% is being hived off. It's a \$15 million to \$20 million cut. This institution is responsible for the provision of information that's led to fuel cell technology improvements, competitive techno-intelligence, improvements on everything from ships to automobiles, all kinds of different industrial developments, solid oxide fuel cell technology—it goes on and on—aerospace, NRCan.

Why the cut right now? Right now this is an institution that a lot of businesses and research and development pulls from. If you destabilize this institution at the moment, it will throw industry and others backwards. Why the cut to this fund, especially at this given time right now?

Hon. Tony Clement: Well, I can tell you generally that when we do our strategic reviews, the intention always is.... Obviously, there are some parts of an agency that might be underfunded but do important work. There might be other parts of the agency that have the appropriate funds and are doing well. And there are certain parts of the agency under review where the results have been not up to standard and where the agency has concluded it can get by doing it in another way without having a direct impact on their reason for being. That's my general comment. I'd have to look at the specific case in order to find out whether it fits in that category or not.

Mr. Brian Masse: I would really ask you to review this again, because at a time now when we have a lot of uncertainty in the economy, and we actually have an interest in moving on science and technology, to take this and introduce another model is very harmful. I think you'll hear more about it.

I do want to move a little bit to your department and its use of budgetary resources. The parliamentary research service looked into your spending in 2007 and 2008, and what they found was that \$1.364 billion—almost 84% of your allocation—was spent, but you had a series of other moneys left untouched, including \$140 million that was never spent and now has been sunsetted. You also had other funding.

I can provide these figures to you later on.

There was another \$275 million unused by your overall department, as well, including your affiliated agencies. You also had rollover dollars in the future, but the total unused funds were \$750 million, or nearly \$1 billion.

Given the issues facing sectors such as the tool and dye mould-making sector, which has been asking for a credit facility to get them through the problems in the automotive area—and we've seen the specific cutback of \$15 million to \$20 million in the previous case I outlined here—wouldn't it make more sense to start to use these funds, especially the slippage funds, amounting in total about \$415 million? Wouldn't it make it more sense, given your portfolio, to actually use these funds, as opposed to returning them to the general coffers?

• (1620)

Hon. Tony Clement: I would say that it depends on the particular situation. Let me give you one example I'm aware of.

The auto innovation fund is something that's been in the news and has been raised in the House, quite rightly so. We actually inked a deal with Ford of Canada, for instance, for \$80 million from the auto innovation fund. But the fact of the matter is that many parts of the auto sector right now are rather occupied, and they haven't accessed the fund as quickly as we thought they would, because they've been busy dealing with the other challenging aspects of the auto sector.

That's not an excuse. It's just an explanation why certain funds may not be accessed at a particular time.

Mr. Brian Masse: Yes, I know. That's fair, and that would apply to some of the funds that are carried over. But for example just this last year, in your overall portfolio, \$274 million was actually returned. It wasn't used in your department. It's that slippage in particular that I'm really concerned about.

Hon. Tony Clement: I'll let the man with the institutional memory perhaps answer the question.

Mr. Richard Dicerni: I really would like to see those numbers, in the sense that the overall portfolio includes the CFI, the granting councils, and the National Research Council, and so forth.

The department runs fairly tightly, in turn, and I keep a fairly close eye on how much has lapsed. I think that within the Department of Industry, you're looking at something that is under 5%, which is quite manageable, because you don't want to run it—

Mr. Brian Masse: The document I have here—and I'll provide it to you—says that of 91% of allocations were used overall by the entire department, and Industry Canada only used 84% of its allocations. In this regard, I'm concerned about all of the challenges out there.

I want to quickly move to one last question, Mr. Minister, if I have time. On my right-to-repair bill, Bill C-273, you've asked for a voluntary agreement two days before the vote. But clearly, in the United States, the model is based on legislation. The EPA is what actually creates an operating agreement for the legislation that provides information to the aftermarket in the United States in a rules-based system.

Why would you want to bring forth a voluntary agreement? I've seen your letter at the eleventh hour that it would be based upon American legislation. But it would only be voluntary over here, versus that in the United States, where they actually have to provide it by legislation. Why are you asking that Canadians be treated differently by the automotive companies over here in Canada—by the foreign companies that will dictate the rules, and there'll be no recourse for the actual process—versus having a Canadian solution that would be rule-based and actually be quite similar to the one in United States, in the sense that it's backed by legislation and wouldn't be voluntary?

Hon. Tony Clement: Well, I guess I can't count on your support for my initiative then.

Mr. Brian Masse: No.

Hon. Tony Clement: That's fair.

Mr. Brian Masse: No, I want a solution that's based upon legislation in Canada, not on some other foreign government's legislation and foreign companies.

Hon. Tony Clement: As you know, Congress works very differently from Parliament. From my perspective, if we can get a deal that the OEMs or manufacturers sign on to, and that gives access to the secondary market for the purpose of helping to enhance our environment, that's a good deal.

Mr. Brian Masse: But why do you want Canada to be treated differently?

Hon. Tony Clement: I'm saying this will be good for Canadian consumers and good for the aftermarket too. The manufacturers, because of my initiative, are willing to go along with this. I think it's a step more than we had a month or a year ago, and that's progress.

The Chair: Thank you, Minister.

Thank you, Mr. Masse.

Mr. Rota.

Mr. Anthony Rota (Nipissing—Timiskaming, Lib.): Thank you, Mr. Chair.

Welcome, Mr. Minister.

The question I have concerns IRAP, the industrial research assistance program. I understand you have increased their funding by \$170 million over the next two years. Is that correct?

Hon. Tony Clement: That's the number, I think.

Mr. Anthony Rota: Very good. Now, I also understand that in southwestern Ontario, part of IRAP will be administering SODA, the Southern Ontario Development Agency, for economic development. Is that correct?

Okay. Of the \$170 million, how much is actually going to IRAP programs, how much of it is going to SODA, and how much is being added for the administration of SODA within that program?

The other thing is that you mentioned what seems to be two years at a time. Is this sustained funding, or is it something that will drastically end after two years?

•(1625)

Hon. Tony Clement: It's amazing how we have two northern Ontario MPs debating the Southern Ontario Development Agency.

Mr. Anthony Rota: I have FedNor coming up.

Hon. Tony Clement: Okay. Let me assure the honourable member and this committee that we continue to make progress on developing the terms and conditions of SODA, as it is now known. What we're looking for, I can say generally, are ways in which we could quickly, for the time being, until a full-fledged agency is created, use instruments available to us through Industry Canada to enable us to flow the money in a successful and efficacious manner.

So as the saying goes, when we have something to announce, we'll announce it, but I appreciate your input on this matter.

Mr. Anthony Rota: So the \$170 million is not part of SODA? Is it strictly IRAP?

Hon. Tony Clement: It is strictly IRAP. That's correct.

Mr. Anthony Rota: Very good.

The other question I have is concerning northern Ontario. As you are aware, I have a private member's bill on the books regarding the FedNor program. I'd like to see it become an agency for reasons of transparency, meaning that when the main estimates are published, the people of northern Ontario should be able to study the allocation of funding with the agency before it's spent, rather than waiting till year-end to see how much of the funding was spent and where it went.

When studying the 2009-2010 main estimates, it's very difficult if not impossible to clearly identify the funding amounts for FedNor and its programs. My request to you today is that you provide the clerk of this committee with the estimates and the numbers for FedNor by the end of the week so we can study FedNor in itself and so I can see the estimated expenses for FedNor for the following year.

Hon. Tony Clement: Certainly we will follow the parliamentary calendar and make available when we have available what we should have available. I will say, as the minister responsible for FedNor, which I have been since 2006, that FedNor is a well-regarded agency, as you know. It's a well-regarded program—

Mr. Anthony Rota: I liked your first comment better.

Hon. Tony Clement: —in Northern Ontario, and certainly, from my perspective, just as you've expressed concern about administrative costs in IRAP and SODA, I am concerned about your bill increasing administrative costs for a program that is working relatively well.

So you and I may have to respectfully disagree with one another, but I can assure you that on a regular basis I report to northern Ontarians on projects that have been approved. As you know, I was the first minister to announce a five-year guaranteed floor for funding for FedNor. That never happened before under the previous Liberal government. Northern Ontarians got that certainty from our government.

We will table with the clerk for distribution copies of *Northern Spirit*, which is a wonderful booklet produced by FedNor, which explains some of the programs. We don't print a lot of these, because it's available online. We want to preserve our forests for other uses. But there are a few copies that we have printed up, and we will table them with the clerk for your perusal.

Mr. Anthony Rota: Just for clarification, *Northern Spirit* contains the estimates for FedNor?

Hon. Tony Clement: No, it talks about some of the successful programs.

Mr. Anthony Rota: I understand that, Mr. Minister, but I'm asking for the estimates for that program so that we can have them on hand and so we will know what's going into northern Ontario.

Hon. Tony Clement: Sure. What I can commit to is that whatever we're required to do, we will certainly do.

Mr. Anthony Rota: I take it that's a no.

Hon. Tony Clement: We will always be accountable to the people of Canada.

The Chair: Thank you, Mr. Rota. Thank you, Minister.

Mr. Brown.

Mr. Gord Brown (Leeds—Grenville, CPC): Thank you very much, Mr. Chairman.

Thank you, Minister, for coming. I'm glad we're already getting into a bit of a discussion about regional economic development. As you know, it's something I often speak to you about. And I know it's something that's important to you, since you represent a rural Ontario riding, as do I.

I want to talk a little bit about the eastern Ontario development program. It was first announced back in 2006 by the Prime Minister. Now we have seen commitments in terms of longer-term funding for that program. Maybe you could expand a little bit on how you feel about the community futures program and how it's working in Ontario, as well as on how you feel about the eastern Ontario development program.

• (1630)

Hon. Tony Clement: Sure, I'd be happy to.

As the member may remember—I think he actually celebrated this in his constituency last Friday—we recently announced a two-year extension on the eastern Ontario development program, \$10 million per year, so \$20 million in total. Again, certainty of funding is important for these agencies as they seek to deliver economic development. If you can have a two-year time horizon rather than a one-year time horizon, there are more and better things you can do for the community.

I was able to announce that in Cornwall on Friday with Guy Lauzon, the local MP. We did it at an interesting location—the court house, which has the old gallows still in existence. I didn't find that particularly encouraging, as a politician, but I looked beyond that and made the announcement.

I think EODP is working well. As Mr. Brown knows, it goes through the CFDCs, Community Futures Development Corporations, which has proven to be an effective model—again, not reinventing the wheel, not creating whole new machinery where it's not necessary. I think if it ain't broke, don't fix it.

Mr. Gord Brown: Thank you, Minister.

I'd like to talk about the fact that these community futures boards clearly reflect community priorities. I'd like to hear your views on our continuing that model. I know it's been very well received in the areas it serves.

Hon. Tony Clement: We'll soon be reviewing the terms and conditions, so we will have a good opportunity to make sure it still fits and is modern enough to be effective in today's day and age. My experience has been that the CFDCs, because they have community representation on their boards, are very much in touch with the communities they represent in rural Canada and indeed are able to identify appropriate projects. So that part of it is working well.

One of the things we want to do, if I can hint at something, is make sure they have used their funds in an honest manner. We also want to make sure they quickly turn around the funds. If we're going to give them more funds, for instance, the turnaround should be quick. We don't want the funds to be just sitting in a bank account; we want them to be used in the community in an expeditious but efficacious manner. That's certainly something I'm interested in pursuing.

Mr. Gord Brown: Thanks, Minister.

I can tell you that in the riding I represent, which has three CFDCs active in the area, in terms of the eastern Ontario development program, there are often way more requests for funding than there is money available. I often attend openings or other celebrations of the projects that have been completed, and they all are very worthwhile in the community.

Hon. Tony Clement: Thank you. I appreciate your input.

The Chair: Thank you, Mr. Brown.

[Translation]

Mr. Vincent, go ahead please.

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

Minister, earlier you spoke about the \$12 billion you will be investing in the automotive sector and the \$3.775 billion you will be investing in Chrysler. You will hold 66.7% of its shares, while the Government of Ontario will hold 33%—to hold 2% of Chrysler's shares. Some newspapers said that approximately 8,000 jobs would be at stake in this sector.

In the manufacturing sector, 102,400 jobs were lost in the first quarter of 2009 alone. Can you explain to me the disparity between that \$3.775 billion and the \$170 million allocated to the entire manufacturing and forest sectors in all of Canada? Can you explain to us why so much is allocated here and why, in a sector that has lost 109,000 jobs, only \$170 million is being invested over two years for all of Canada? Also why have you given loan guarantees to the automotive sector and none to the forest sector in Quebec?

• (1635)

Hon. Tony Clement: I would like to say a few words about the forest industry. Of course, it's a very important industry for workers and for the Canadian economy. In Budget 2009, in the economic plan for our country, we have concluded that it is important to support that industry through access to credit, for example, through forest management and silviculture, support for workers in the forest communities, technology and innovation, new markets and things like that. We have supported that industry.

For example, in the case of the automotive industry, we're not just talking about Chrysler and GM, but about the entire automotive sector. For example, with regard to other companies, suppliers, it is important to support them as well. If the automotive sector disappeared from our country, that would represent nearly 500,000 jobs. It would be a disaster for the entire economy not only in Ontario, but across the country.

It is important to say that, when the United States, under the Bush administration and then under the Obama administration, decided to

support that industry, our choice was to support it as well. Otherwise, that industry would cease to exist in Canada.

Mr. Robert Vincent: I understand you; you're saying that, if the Americans had decided to support the forest sector, you would have done so as well. However, since the Americans are supporting the automotive sector, you're doing that as well.

Don't you think that everyone here in Canada must have the same chances and the same rights? And why favour one sector over another, and allow the forest sector to completely disappear by failing to grant it loan guarantees?

Hon. Tony Clement: I don't agree with you, with your interpretation. We have supported the forest industry as well, in accordance with the manner in which it asked us to support it, by developing new markets, for example and introducing innovations in the industry.

That's one way the forest industry wants our government to support it, and we responded to its request in budget 2009, in the Economic Action Plan. I think those measures are specific to that industry.

In Quebec, of course, there is a council established with the Government of Quebec to find other ways of supporting that industry.

Mr. Robert Vincent: I know you handle a lot of your files and that you are aware of all those you are piloting. However, you know that, in June 2007, the Standing Committee on Industry, Science and Technology tabled its eighth report, entitled, "Counterfeiting and Piracy are Theft". That report contains some 20 recommendations. I'd like to know from you how many of those recommendations have been put forward.

Mr. Richard Dicerni: The government made a commitment in the Throne Speech to consider the issue of copyright. That's one of the files currently under review, in the context of a number of other files. So it's one we have in view.

Hon. Tony Clement: I would also add that, in the summer of 2009, I'm going to announce that there will be an opportunity to gather input from all industries, from all stakeholders in this matter.

• (1640)

The Chair: Thank you, minister and Mr. Vincent.

Mr. Van Kesteren.

[English]

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

Thank you, Mr. Minister, for appearing before us.

You probably know there's a subcommittee that's been struck to look at some of the challenging issues and what Mr. Vincent was talking about, the forestry. One of the things that drives me absolutely crazy is to view an industry like the forestry industry. When everything's said and done, we're going to have our trees and we're going to have our minerals and we're going to have our vast resources. It always perplexes me when I see that we missed the boat years ago in not becoming a world leader in the forestry industry. When we talk to the forestry people, we ask them where they get their technology from. Well, it's from Finland.

Now, we've had some success stories as well, and one of the success stories we've embarked upon is the aerospace industry. I know we've made substantial investment there. I wonder if you could expand on that, tell this committee where we're going, what we can expect in the future and how we can continue to grow that industry, which has proven to be such a valuable and important part of Canadian industry.

Hon. Tony Clement: Thank you for that.

It's a very critical industry, one I do spend a lot of time concerning myself with. It is critical, again, to our industrial base, and it's critical because there's so much R and D that goes on in this particular industry.

We have something called the strategic aerospace defence initiative, or SADI, which levers private investments in order to pursue R and D right here in Canada, using our Canadian companies. For example, I made a recent announcement with CAE, which is a world leader in its area, of course, in flight simulators. We invested \$152.8 million and they put in \$714 million, so that's a huge investment. It means that Canada will continue to build and produce state-of-the-art flight simulators that are used all around the world. That's a great example. Bombardier has secured a \$1.5 billion order for its C Series jet with Lufthansa and almost \$1.5 billion for Lease Corp., so that's 50 firm orders for their C Series.

These are the kinds of things that keep that industry going, and certainly I see the investment that governments have made in research and development paying off in terms of jobs and opportunities. We must continue down that road, and we will continue down that road.

Mr. Dave Van Kesteren: I want to switch quickly to the knowledge infrastructure program.

I come from Leamington, which has the largest collection of greenhouse growers in North America. And when I ask these people where their technology has come from, it has come from the Netherlands.

I wonder if you could tell us what that program consists of, where some of the money is being spent, and can we expect to see more of that happening? Where we see an area in Canada where we're the leaders, will we start to support that area with our institutions? I wonder if you could simply tell us about some of the projects that are under way right now.

Hon. Tony Clement: Yes.

Definitely, the ones that I've seen so far in B.C. and Nova Scotia are excellent projects. Really leading-edge research will continue in those institutions in the announced provinces.

One of the things I want to emphasize, though, is how important it is to continue with the basic research, of course, but also with a view to commercializing the research. This is where Canada has fallen down in the past. The most recent STIC report that came out today, the Science and Technology Innovation Council report, said we do a great job on basic research, well supported by public funds, excellent, world-class, but we still have that gap between getting the research from the basic research page to a product that is marketable in Canada and around the world.

Some of what we do is excellent. Look at RIM. Obviously, that's a wonderful example of basic research that has translated into a worldwide product. So it can be done by Canadians, in Canada, and we've got to do a better job of that. That's what the science and technology strategy that we announced in 2007 is all about, and that's why these funding envelopes that we're announcing are so important as well.

● (1645)

The Chair: Thank you, Minister.

Thank you, Mr. Van Kesteren.

Mr. Masse.

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

I want to return to the issue over the Canadian Institute for Scientific and Technical Information. Biomedical Commercialization Canada worked with a company called Fermion on creating security measures for airports after 9/11. They've actually commercialized the product and it has gone to the United States quite often.

What I really get concerned about is why we would want to bring in a whole new regime at a time when stability is really one of the biggest assets companies are asking for right now. On the strategic review that was initiated and that has led to this decision of cutting the fund by 50%, and then having another 20% spun off into a private company, has that been completely signed off on, or is there a chance to revisit this?

I am really concerned. You're right, because we're into the patents in Canada. We have very few patents in Canada that actually go to market. Maybe you can provide a little more information on that.

Hon. Tony Clement: Look, we all know there's downsizing and then there's dumb-sizing. None of us want to be involved in dumb-sizing. If necessary, if the program isn't achieving its goals, then of course we have the right to review those programs.

I've said this before and I'll say it again. Any politician or any government that says that a program is funded forever, regardless of its results, regardless of how it's contributing to the Canadian economy, that is the antithesis of the scientific method. That isn't what science and technology funding should be all about. We should always be reviewing what we do in a reasonable, responsible way to ensure that our money is well spent, that it leads to the desired results, and that the margin of utility—if I can use the economic term—of using it there is better than somewhere else. I will defend to the death the right of every government to review programs to make sure they are being used well.

Having said that, we don't want to make mistakes. Certainly I'll take a look at the situation; I'd be happy to do that. I think it would be a sad day in this country if politicians started to say “We are going to fund this project forever”. That is the wrong way to react to the situation.

Mr. Brian Masse: I'm not aware of any politician that says that. This is Canada's national public library for hospitals, universities, and business. That's why at a time right now I'm concerned about it.

I thank you, and I know you'll do a fair review. That's all I'm asking.

I'll move on to the auto credit facility. When will we see something come out of that?

One of the things that's disturbing in terms of the way it might roll out is that the Minister of Finance has been very explicit about the fact that this is going to be a revenue generator for the finance department, meaning that their interest rate is going to be a return. This is Canadian taxpayers' money that is going to be used to hopefully get vehicles, leases, purchases out there to stimulate the economy. I'm worried about the profit range the government is going to try to make from the citizens' own money. That's one issue.

Secondly, with the approximately \$40 billion still on the ecoAUTO “feebates”—the tax that was introduced on automobiles that is still coming into your coffers—why can't that money, as Ford has suggested, be moved into a credit facility in a revolving fund right now, perhaps not permanent, for low-interest purchasing and leasing of automobiles?

Hon. Tony Clement: I can tell you that we're almost there. For BDC, which is the repository of the secured credit facility, this was a new program for them. They didn't have in-bred expertise in this area, so they acquired some expertise. They went out and consulted with the industry; they consulted with the likely partners. They have completed that consultation. I think it was responsible for them to do that consultation, quite frankly.

It is a commercial-rate kind of program. I think that is defensible to the taxpayer, because it's taxpayer money that is being engaged. I think we're almost at the stage now where it will be rolled out. We're anxious to get it rolled out, the finance minister and I. When you inject the possibility of \$12 billion of extra credit for vehicle and equipment leases, that is going to have a very positive impact on the economy.

• (1650)

The Chair: Thank you, Minister.

Thank you, Mr. Masse.

Mr. Lake.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): Thank you, Mr. Chair.

I want to talk a little bit about the longer term. We talk a lot about shovel-ready projects and the need for stimulus right now because of the global economic crisis. You wouldn't know it from question period if you watch it every day, but there are a lot of commentators talking about how relatively strong Canada is. Canada is kind of the envy of a lot of countries in terms of our position going forward. The recession will be felt less deeply here and we should come out sooner and stronger than other countries. Commentators like the IMF and the OECD and *Newsweek*, *The Wall Street Journal*, *The Economist*, and *The Telegraph* have all commented on Canada's relative strength. Maybe you could talk about initiatives that we've put forward, particularly in the industry portfolio, that are creating the conditions for that strength moving forward in the long term.

Hon. Tony Clement: Sure, I'd be happy to scroll down a few of those things.

Obviously, I already talked about changes to the Investment Canada Act and to the Competition Act, because I really do think it is important that Canada remain open for business but at the same time have rules that are in place for businesses that everyone knows will lead to a properly functioning marketplace. The last thing we need is for our businesses to come to us and say that they want to compete as much as the next business, but these guys aren't playing by the rules, so they can't compete with that. That's why the Competition Act is so important, because it does weed out those companies that are using anti-competitive, abuse-of-dominance, or other price-fixing cartels and these kinds of things that are injurious to the consumer but also to the legitimate businesses out there.

The Investment Canada Act changes are important because this sets the foundation for us to say to the world that these are the rules of the game. We have the right to protect our national security, but if you're here to invest in jobs and opportunities that will employ Canadians, we want to be open for business. I think that's an important message to send around the world. In the few trips that I've taken, for instance to India in February, that was my message. I met with over a hundred businesses, and my message was the same: Canada is open for business. So those are important.

As I mentioned, our work in the broadband sector, in knowledge infrastructure, in keeping our tax credits lush and our business taxes low, will have a long-term impact on our competitive behaviour as a country and of course our ability to create jobs and opportunity in the future. So to me, it's not just about fighting fires. I consider myself the competitiveness minister, the one who concerns himself day in, day out with Canada's long-term competitiveness. I view things through that prism. Even with our short-term issues, we've got to look at the long-term impacts that will be positive for us. That's how I see everything that I do.

Mr. Mike Lake: Right.

I'm thinking about our international reputation or how we work with the international community. My understanding is that we were behind in how we dealt with spam. We've just introduced legislation to change that. Maybe you could elaborate a little bit on this.

Hon. Tony Clement: Sure. I think that this bill that we have before Parliament is critical. I didn't know this until I sort of delved into this subject, but 17 of the world's top 40 spammers are companies or individuals that reside in Canada. We were becoming a haven, a magnet for spamming and for all of this behaviour that affects not only us as Internet users, but obviously businesses who have to invest in more anti-spyware and more filters and so on. It's a huge cost—\$3 billion a year in costs to Canadian businesses—to combat spam. We were becoming a magnet for spammers and the ne're-do-wells who are involved in this. So this puts us in line with the other G-7 countries. We can go with clean hands to institutions like Interpol, the international police, and work with them in collaboration so that we can go after the international syndicates that are behind some of the most injurious spam. I think, both in terms of economic policy and also for the consumer and consumer safety, this is very important legislation. I encourage all members on this committee to support it.

• (1655)

The Chair: Any further questions, Mr. Lake? No? Thank you.

Madam Coady.

Ms. Siobhan Coady (St. John's South—Mount Pearl, Lib.): Thank you, Minister, for coming here this afternoon.

My questions are going to centre on science and technology. You said that you felt it was crucial for the development of our country, that you thought it was an integral part of our long-term strategy, and that it was essential to Canada's long-term competitiveness.

Your government and previous Liberal governments have always supported innovation. In these particular estimates, in this particular budget, you've put a tremendous amount of money towards infrastructure. There is the knowledge infrastructure program. You've put money towards equipment and investment on deferred maintenance. All this has to be matched money. I support putting money towards infrastructure. I think it's very important that we have the best labs. I had a genomics laboratory in my previous life, and I know how expensive they can be. However, you've also cut basic funding for research—\$148 million to the granting councils. There is no new money for Genome Canada. There is no new money that will be invested in future genomics projects, and that's of great concern. All this is having a tremendous impact.

You've seen the letter written on behalf of 2,000 scientists that was sent to the Prime Minister of this country, asking to restore this critical funding. It's great to have nice laboratories, but if we have nobody in the laboratory working, and we don't have the world-class scientists, then how are we going to maintain our ranking? You will have seen in yesterday's *Globe and Mail* Anne McIlroy's article talking about Dr. Sekaly, who's heading to Florida. This is probably just the start of world-class scientists leaving our country.

It's of great concern. How does your government hope to maintain Canada's global status in research and development, competitiveness, and innovation when you have 2,000 scientists calling for additional money? How do you see us being ranked well in the world, when you're not putting money towards the very things that we need most?

Hon. Tony Clement: Thank you for the question. It gives me a chance to put my view of the situation on the record.

I've been criss-crossing the country, as has Gary Goodyear, talking to university presidents, researchers, people on the front lines of some of the very research that you mentioned. To a person they have said that our government is doing the right thing, that we ought not to listen to all of this barking and complaining, which doesn't represent how scientists and organizers of scientists feel about the situation. They've told us they know we are putting more in than ever before, more into the granting councils, and more in multi-year funding for Genome Canada.

This time last year, I was in San Diego, announcing a multi-million-dollar collaboration with the California government on cancer stem-cell research. We are the best in the world in this field, and that's multi-year funding. What they are telling us, what they're telling the Prime Minister, what they're telling their own confrères is that this government is putting the money in, and that we're doing it in a sensible way that will have a long-term positive impact on our ability to compete.

The STIC report came out today. I encourage you to read it. This is the Science, Technology and Innovation Council report, which said we were doing a great job in innovation and basic research. Our problem is commercialization, which is the exact antithesis of the editorial position of the *Globe and Mail*. I'm sorry, but if I have to choose between the two, I think the Science, Technology and Innovation Council probably has it right.

Since 2007, our government and the S and T strategy has said that this is the area where we have to do better. We have to make sure that all the wonderful basic research that we do actually gets to market, actually helps our health care sector, our businesses, and our innovators, the RIMs of tomorrow. That's what I passionately believe in. I know you have your impression; I just think it's wrong.

Ms. Siobhan Coady: Thank you for that. I guess 2,000 scientists also have it wrong.

Hon. Tony Clement: I'm happy to meet with all 2,000 of them and to show them the facts.

Ms. Siobhan Coady: I'm sure you will over time.

That was an interesting comment about commercialization, because I'll give you an example of commercialization. Genome Canada did funding with Memorial University of Newfoundland and Labrador. They did discover a very important gene. It was Newfound Genomics, a company that I owned, that actually developed that for the marketplace. We developed the diagnostic to put into the marketplace. That's an example of commercialization and good science and how it gets to market. Today it's saving lives. It's a simple test that can save lives. It's very important.

You talked about President Barack Obama and how much money he's putting towards it, saying that there are some challenges in the dollar amounts in terms of whether or not he's investing in true science or education, for example. Currently 2.68% of their GDP is put towards science and technology, and that's moving towards 3%. In Canada it's less than 2%. How do we maintain our international competitiveness?

Last week, for example, President Barack Obama, speaking about the current global crisis with the H1N1 flu, said that if there were ever a day to remind us of our investments in science and technology, this would be the day.

Those kinds of investments in science and technology are incredibly important. Would you comment on the percentage of GDP?

• (1700)

Hon. Tony Clement: I'm sure President Obama would have been briefed on the fact that a lot of the basic research that's going into the H1N1 is actually occurring in Winnipeg. We're educating the Americans, and the World Health Organization, through the national laboratory in Winnipeg, a level 4 facility, first in class, best in breed. That's the kind of research that we have to continue to be a part of. We have people like Dr. Frank Plummer. We're known around the world. We're blessed to have people like that. They love working in Canada. Yes, we always lament when somebody leaves this country, but let me tell you, there are many people coming back to this country.

Let me give you one example—the CERC grants that we're doing, the centres of excellence research grants. The criticism—which, by the way, found its way into the nation's newspapers—was that there was too much money going into these programs. There was \$10 million per grant, and how dare we spend so much money on such elitist professors. I don't know what we're supposed to do. One minute we're accused of cutting and the next minute, when we put \$10 million in per program, we're accused of spending too much

money. But we're doing the right thing, and that's how I can sleep at night.

The Chair: Thank you, Minister.

Thank you, Madam Coady.

Mr. Lake.

Mr. Mike Lake: Thanks, Mr. Chair.

I want to transition to the big picture, the choices that Canadians have as we move forward.

This past weekend the Liberals chose a new leader. It was a tight race, a nail-biter. In the end they chose the tax-and-spend guy. We've seen very little policy brought forward from the Liberal Party over the last few months. We have two that we could point to. One was to raise taxes; the Liberal leader said they would have to raise taxes. There hasn't been much definition around that. For example, they haven't identified which taxes they would raise. If it were corporate taxes—

Mr. Anthony Rota: Point of order, Mr. Chair.

The Chair: Go ahead, Mr. Rota.

Mr. Anthony Rota: If Mr. Lake would like to do his propaganda pitch, I suggest he do it at election time or outside our committee time.

The Chair: It's not a point of order, but I take your point.

Mr. Lake.

Mr. Mike Lake: I wonder if you could comment on what an increase of corporate taxes might do to Canada's competitiveness.

Hon. Tony Clement: As committee members may be aware, we're on track to, by 2012, have the lowest corporate tax rate in the G-7. That was a goal we set a couple of years ago. We're on track to meeting that goal. I think that's an important goal for our economic competitiveness.

The other thing I would say is that in terms of our tax credit regime, which is something we administer at Industry Canada, although it is set in the nation's budget, we have the richest tax credit regime in the OECD. That's important for our companies when they are involved in innovation, the tax credit for innovation. I would be opposed to any attempt to raise taxes and reduce tax credits. I think that would be wrong-headed. It would hurt our competitiveness. Therefore, that would not be something our government would be in favour of.

Mr. Mike Lake: The second main area of interest for the party seems to be EI. I would note that the last time the Liberals were in charge of the EI program they spent \$54 billion of the money that went into EI in areas other than EI, on things like the HRSDC boondoggle, the gun registry, the sponsorship program, and things like that.

Of that \$54 billion, \$22.5 billion was taxpayers' money, but \$31.5 billion was money from Canadian businesses. Would you comment on the impact on competitiveness, had those businesses had \$31.5 billion more to invest during those 13 years?

• (1705)

Hon. Tony Clement: You don't have to take it from me. I think it was pretty clear in Red Wilson's report on competitiveness, which indicated that we had to do some things to make sure that our space here in Canada was more competitive. It required us, in our view, to have a low tax regime and to not look at business as an opportunity to fleece or to steal the eggs of the golden goose.

From our perspective, business is our partner. Business has to have room to grow and room to invest. It has to be supported through our tax system and through reduction in red tape by making sure the playing field is level. That's why competition policy is so important.

These are long-term objectives. That's why you find them in budget 2009 under economic action plan, because they can have immediate results for us. But they also have a long-term positive impact. I just think that is the way to go.

I'm optimistic about our country. We have set the stage to rebound out of the world economic downturn as quickly as possible and as completely as possible. In that sense, we will continue to be the envy of the world.

The Chair: Thank you, Minister.

[Translation]

The last round of questions is reserved for the Bloc Québécois. I believe that Mr. Vincent and Mr. Bouchard will be sharing the speaking time.

Mr. Bouchard.

Mr. Robert Bouchard: I—

[English]

The Chair: Sorry, Mr. Masse, go ahead.

Mr. Brian Masse: Out of the last questioning, I'd like to know from our researchers how much money it is going to cost the Canadian taxpayers to borrow for these corporate tax cuts. We'll have to pay for the interest that accrues on that in the upcoming ten years. I'd like to know how much we're borrowing for the tax cuts and the interest on that projection for paying for those corporate taxes, since we don't have the money right now.

The Chair: Thank you, Mr. Masse. We can see if the analysts can do some research for the committee for the upcoming meeting to give you that answer.

Monsieur Bouchard.

[Translation]

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

Minister, I want to go back again to your budget concerning wireless, broadband and Internet access.

First of all, it seems to me you're open to the federal government establishing a complementary program or one that would harmonize with that of the Quebec government. I appreciate that openness.

I would like to know one thing. When will the federal government's program be ready? I can give you—you or one of your deputy ministers—the name of a deputy minister in the Quebec government who is working on this file and with whom you could exchange information. I could submit that name to you. Would that suit you?

Mr. Richard Dicerni: First you'd have to give me the name of the official, of the appropriate contact. Second, we want to maximize the impact of the \$215 million that we're going to be spending. We want to do it as appropriately and suitably as possible. We want to do it in cooperation with the stakeholders.

Mr. Robert Bouchard: Thank you.

The Chair: Go ahead, Mr. Vincent.

Mr. Robert Vincent: Thank you, Mr. Chairman. I'm going to return to the topic addressed earlier.

Mr. Dicerni, you answered me regarding intellectual property. I've received a copy of a letter from a member of the U.S. Congress, Mr. Bradley J. Sherman, which was sent to Michael Wilson, Canada's Ambassador to the United States. In it, the congressman states that we are lagging behind, that the major deficiencies in the intellectual property rights system should be corrected immediately. For a 13th consecutive year, we are on the United States Trade Representative's Special 301 Watchlist on the protection of intellectual property rights.

Mr. Sherman continues by pointing out that Canada does not provide enough protection at its borders against the import and export of pirated products. He adds that Canadian customs officers currently do not have the legal authority to seize counterfeit goods, even those that are visible. What he reports in this letter is the subject of Recommendation 11 in the report tabled in June 2007.

When will the government implement those recommendations to protect our industries in Quebec and Canada?

•(1710)

[English]

Hon. Tony Clement: First, in terms of enforcing the borders, I have to rely on my colleague, Peter Van Loan, in his responsibilities. I found our addition to the 301 list inaccurate and unfortunate on the part of the Americans. We're on the same list as a lot of countries that do a lot worse than we do and have a lot more nefarious actors in them who are assaulting intellectual property than is the case in Canada. I think it's not an accurate portrayal of the Canadian situation. But having said that, we are committed to new legislation. I'm going to be engaging in consultations this summer with respect to that legislation. Here's hoping we can find something we can all agree with, because this has been a snakepit for Parliament for a number of years. Quite frankly, nothing has gotten through in 10 to 15 years on this. Maybe something will change now.

[Translation]

Mr. Robert Vincent: Before meeting people, the best solution would be to pick up the report we produced after four months of studying counterfeiting and intellectual property. Those recommendations clearly reflect the opinion of all stakeholders who appeared before the committee. I don't see the point in conducting another investigation; I think it has already been completely done. These recommendations are simple. We can implement them. The government only needs the will to do so.

Do you have that will?

Hon. Tony Clement: Your report is an essential factor in considering these issues. I am newly appointed to the head of this department. So I would like to have the opportunity to speak with the people concerned.

The Chair: Thank you, Mr. Vincent.

Thank you, minister.

I also want to thank our guests for their evidence.

Thank you very much for coming to our committee on short notice and for answering our questions.

We'll allow the witnesses to depart.

As a committee we now have 27 votes on the main estimates to consider. We have two ways to go about this: we can vote on all 27 votes at once, or we can consider them individually.

Just to make sure that members of the committee are clear about this, we have three options on each vote. If we vote on them collectively, we have three options for all 27 votes. The first option is you can vote to adopt the amounts as listed on your sheets. The second is you can vote against the amount, which would reduce the estimate to zero. The third option is you can vote to reduce the estimate by a certain amount.

Is the wish of the committee to consider each of the 27 individually, or to do them all at once?

Madame Coady, Mr. Garneau, do you wish to consider all 27 at once, in the interest of efficacy?

[English]

Mr. Anthony Rota: I don't think it will make any difference, will it?

The Chair: It's up to the members of the committee.

The one thing you cannot do when we vote on estimates is you cannot vote to increase them. Essentially, the three options you have are you can adopt the estimates in the amounts as listed; you can vote to reduce the estimates; or you can vote to eliminate a particular estimate.

So it sounds as if there's a consensus to....

•(1715)

Mr. Marc Garneau: Treat them all at once.

The Chair: Let's treat them all at once.

ATLANTIC CANADA OPPORTUNITIES AGENCY

Department

Vote 1—Operating expenditures.....\$79,640,000

Vote 5—Grants and contributions.....\$245,178,000

Enterprise Cape Breton Corporation

Vote 10—Payments to the Enterprise Cape Breton Corporation.....\$8,650,000

ECONOMIC DEVELOPMENT AGENCY OF CANADA FOR THE REGIONS OF QUEBEC

Economic Development Agency of Canada for the Regions of Quebec

Vote 1—Operating expenditures.....\$41,880,000

Vote 5—Grants and contributions.....\$240,435,000

INDUSTRY

Department

Vote 1—Operating expenditures.....\$320,061,000

Vote 5—Capital expenditures.....\$9,373,000

Vote 10—Grants and contributions.....\$596,995,000

Vote L15—Payments pursuant to subsection 14(2) of the Department of Industry Act.....\$300,000

Vote L20—Loans pursuant to paragraph 14(1)(a) of the Department of Industry Act.....\$500,000

Vote 25—Operating expenditures.....\$ 208,039,000

Vote 30—Capital expenditures.....\$90,082,000

Vote 35—Grants and contributions.....\$47,063,000

Vote 40—Program expenditures.....\$83,526,000

Vote 45—Program expenditures.....\$2,340,000

Vote 50—Operating expenditures.....\$397,574,000

Vote 55—Capital expenditures.....\$42,224,000

Vote 60—Grants and contributions.....\$140,605,000

Vote 65—Operating expenditures.....\$41,394,000

Vote 70—Grants.....\$922,905,000

Vote 75—Program expenditures.....\$1,861,000

Vote 80—Operating expenditures.....\$23,016,000

Vote 85—Grants.....\$627,202,000

Vote 90—Payments to the Standards Council of Canada.....\$7,129,000

Vote 95—Program expenditures.....\$391,909,000

WESTERN ECONOMIC DIVERSIFICATION

Western Economic Diversification

Vote 1—Operating expenditures.....\$41,725,000

Vote 5—Grants and contributions.....\$195,245,000

The Chair: Shall all 27 votes for the main estimates 2009-2010 carry?

(Votes agreed to)

The Chair: Thank you very much.

Shall the committee report the main estimates back?

Yes, go ahead, Mr. Masse.

Mr. Brian Masse: Mr. Chair, for the record, I'm opposed.

The Chair: Okay, that's noted.

Mr. Brian Masse: Thank you.

The Chair: So it's adopted on division.

Shall the main estimates be reported back to the House?

Some hon. members: Agreed.

The Chair: The main estimates will be reported back to the House.

Thank you very much for your questions today. There will be no Thursday meeting.

This 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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