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Chair

The Honourable Michael Chong

Standing Committee on Industry, Science and Technology

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• (0800)

[English]

The Chair (Hon. Michael Chong (Wellington—Halton Hills, CPC)): Welcome, members and witnesses, to our sixteenth meeting of the Standing Committee on Industry, Science and Technology, on this thirteenth of May, 2010. For the first 45 minutes of our meeting today, we are here pursuant to Standing Order 108(2) for a study of Canada's foreign ownership rules and regulations in the telecommunications sector.

For that 45-minute period, we are happy to have in front of us the Honourable Tony Clement, Minister of Industry, along with two of his officials, Deputy Minister Dicerni and Senior Associate Deputy Minister Boothe.

Welcome to all three of you. We'll begin with an opening statement from the minister.

Hon. Tony Clement (Minister of Industry): Thank you very much, Mr. Chair.

Thank you for this opportunity.

[Translation]

Hello everyone.

[English]

Before turning to the specific issue of foreign investment restrictions, I'd like to put a little bit of context before this committee if that's all right.

[Translation]

In March, the government set out its agenda in the Speech from the Throne. One of the themes it set out was that of "building the jobs and industries of the future", under which a number of forthcoming initiatives were referenced. I would like to touch on two of these.

[English]

First is the launch of the digital economy strategy to drive the adoption of new technologies across the economy and the country. Second is opening Canada's doors further to venture capital and to foreign investment in key sectors, including the satellite and telecommunications industries, giving Canadian firms access to the funds and expertise they need.

Mr. Chairman, I highlight these, as they share an important linkage. The telecoms industry is a key player in the modern digital economy. In fact, the telecoms infrastructure can be seen as the platform on which the digital economy operates.

As you may know, on May 10 we launched the public consultation to help inform the development of Canada's digital economy strategy. In doing so, we'll be addressing some important questions.

How can we improve the adoption and the use of digital technologies in the rest of the Canadian economy?

What kind of digital infrastructure will we need for the 21st century?

What is needed in terms of investment, research, and skills to grow the size of the ICT industry and the number of ICT firms headquartered in Canada?

How can we develop digital media and content to promote a digital economy?

How can we ensure the necessary skills development for active participation by all Canadians in a globally competitive digital economy?

[Translation]

This is a critical time in Canadian telecommunications. Private sector decisions on massive capital investments are being made for all forms of telecommunication services.

[English]

As a government, we need to ensure that the right regulatory framework is in place to incent investment and to create a competitive marketplace.

The government has encouraged competition in the wireless sector. In 2008, as you know, we held an auction for radio spectrum licences for new wireless services. To encourage competition, we set aside specific frequencies that only new market entrants could bid on.

We're very pleased that a number of new players responded to this mechanism by bidding successfully and acquiring licences. Only one of these providers has actually launched service—as we know, it's Globalive—but others have announced plans to deploy later this year.

Mr. Chair, I know that many members have questions about the Globalive case, so let me explain a bit about what the government did. Last December, cabinet varied a CRTC decision that found that Globalive was not Canadian-owned and controlled.

Now, why did we do that? We did that because the government concluded that the company was a Canadian company that met the Canadian ownership and control requirements as specified in the Telecommunications Act. The government's decision was based on the specific facts of the case, and it meant that the company could begin operating without delay. In light of the court proceeding now in place—there is, obviously, a court challenge—I cannot comment further than I have on the details.

Let me finally turn to the issue of telecommunications foreign direct investment and the government's commitment to “open Canada's doors further to venture capital and to foreign investment in key sectors, including the satellite and telecommunications industries”.

Now, you might ask why we are doing this. Well, there's already considerable economic research on how foreign direct investment, or FDI, as the economists call it, benefits an economy. Many studies show that FDI drives firms to be more productive and innovative. Empirical studies have found that FDI has a net positive effect on overall productivity growth. There is also empirical evidence that shows that foreign-owned firms are as productive as the most productive Canadian firms and thereby contribute to raising the productivity of Canadian industries.

FDI contributes to productivity growth not only by making productivity-enhancing technology transfers to Canada but by providing positive spillovers to the adoption of advanced technologies by Canadian industries. So Mr. Chair, that's a tangible, positive contribution to the standard of living right here in Canada.

Foreign investment helps firms compete in an increasingly global economy, which is essential for Canada's prosperity as a trading nation. Foreign investment provides access to international management expertise and to global supply chains and networks.

Now, Canadian satellite providers face an immediate challenge. Canada allows foreign satellites to offer service in Canada in direct competition with Canadian suppliers. This has created an uneven playing field, because Canadian providers must compete against these foreign providers both in Canada and abroad. The problem is that the foreign providers are not subject to investment restrictions either in Canada or at home.

The satellite industry is global in nature. Removal of foreign ownership restrictions will allow Canadian firms to access foreign capital and advanced technologies. It will allow them develop strategic global relationships that will enable them to achieve economies of scale and to participate fully in foreign markets.

I have followed with great interest the committee's proceedings on these matters. There has been a comprehensive and broad range of testimony from academics, incumbent and new entrant telecommunications companies, content producers, cultural groups, and others, of course. This testimony has conveyed the full range and complexity of the issues at hand, including: rapidly changing business models and technologies; integrated networks and product offerings; carriage; broadcasting; content; and, of course, culture.

With respect to broadcasting, I can tell you that we will not consider anything that might impair our ability to pursue our Canadian culture and content policy objectives, period, full stop.

● (0805)

[*Translation*]

I am pleased that the committee has decided to look at this important issue as it has provided me with valuable information and insight. We have followed the work of the committee very closely and look forward to receiving your report.

[*English*]

Thank you.

Merci beaucoup.

[*Translation*]

The Chair: Thank you, Mr. Minister.

We have 35 minutes remaining for members to ask their questions or make comments.

We will start with Mr. Garneau.

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

[*English*]

Thank you, Minister, for being here this morning.

I think it's widely acknowledged that the spectrum auction of 2008 was mismanaged. It was mismanaged primarily because of what happened to Globalive, which initially paid some \$400 million to obtain a portion of the spectrum. Then, later on, the question of foreign ownership was examined and, as you know, the CRTC decided it did not satisfy the requirements with respect to Canadian ownership.

You reversed that decision. You spoke briefly about it in your opening statements. What you're saying, effectively, is that the CRTC was wrong in its interpretation. Am I correct in saying that?

Hon. Tony Clement: That's correct.

Mr. Marc Garneau: Am I also correct in saying that because you have reversed the decision of the CRTC there's obviously some confusion about the interpretation of what constitutes foreign ownership? Does this mean that you are going to make changes to legislation or regulations to more clearly define what you consider to be Canadian ownership requirements?

● (0810)

Hon. Tony Clement: Let me respond to the characterization and I guess respectfully disagree with some of the elements of that, Mr. Garneau.

I would say that in this particular case of Globalive, reasonable minds could differ. The CRTC came to a conclusion for the purposes of the Telecommunications Act that Globalive was not Canadian controlled; we came to a different interpretation.

When we looked at the facts of the case, at the structure of the board of directors, the structure of the voting shares in the company, and, most importantly, the structure of the day-to-day management of the company, in each of those cases, you could conclude, responsibly and reasonably, that it was not foreign controlled.

So there was respectful disagreement. Sometimes that happens in public policy. It was not meant as any disrespect to the CRTC. Based on the facts of the case, we came to a different conclusion, which we think is defensible and correct.

Having said that, in answer to the second part of your question, we have been studying very closely the CRTC's submission to this committee, where they called for changes to legislation as well as content requirements. We're studying that. That all goes into the hopper.

The government has not made any decisions on how exactly to move forward on liberalization of telecom ownership and investment, so anything this committee decides will also go into the hopper.

Mr. Marc Garneau: Thank you.

Obviously the CRTC had a different interpretation. I would encourage you to provide clarification in the regulation so that hopefully in the future the CRTC's decision is not going to be challenged. As you know, the other contestants in the spectrum auction also feel quite strongly that this was not a level playing field in terms of the outcomes. They had a different interpretation of what constitutes Canadian ownership.

I'd like to switch to another question, the question of FDI, foreign ownership. You have said that foreign ownership is a good thing. You have said that the Broadcasting Act is not going to be changed. What specifically are you planning with respect to foreign ownership regulations in the telecommunications sector?

Hon. Tony Clement: Well, liberalization to allow more foreign investment, as I said, empirically in Canadian studies indicates all of the positive attributes I described in my remarks.

You're asking for a specific plan of action. The fact of the matter is that the first thing we're going to do is consult. We're going to consult with the public, we're going to consult with the players in the industry, and we're going to consult with this committee. As I say, we are reading very closely the testimony before this committee on these issues and we will continue to do so. That will help to animate the various suites of options that are available to the government in terms of liberalization.

At this point I'm not in a position to tell you exactly what is planned. Quite frankly, I think the first step we have to do is consult, and then, again, arrive at a series of options and decide on the best option for Canada.

Mr. Marc Garneau: I have to take advantage of your presence here to ask you about another issue.

In 2009 in the budget you announced \$225 million towards increasing broadband access across the country. You came out 14 or 15 months later, last week, with a number of projects.

Is it your feeling that the \$225 million is going to provide access to broadband to the whole country? Or are you of the opinion that it will go a little bit further but that there's still more funding required to provide broadband access to all Canadians?

You must have done studies on it to estimate how much it would cost to provide it for the whole country.

Hon. Tony Clement: Sure. Fair enough. The announcement that I made on Sunday was the first tranche of a series of rolling announcements over the next several weeks on further expansion of broadband based on that fund you mentioned.

The fact of the matter is, Mr. Garneau, that you cannot look at the fund from the government to expand rural and remote broadband in isolation; it's part of a whole series of changes going on in broadband access in our country. The private sector is investing billions of dollars into broadband expansion as well as increasing the amount of throughput that is possible through the pipes. When you combine that with what the government is doing, we of course foresee the day when all of Canada will be covered.

One of the things that I did with the federal money was put it in the areas that are most needy first—not necessarily the areas that are closer to urban areas, but the areas that are actually more remote than that.

● (0815)

Mr. Marc Garneau: But will that \$225 million do it?

Hon. Tony Clement: No, and \$225 million was never going to do it, because it's not just a federal government issue. The provincial governments are investing. The private sector is investing. So—

Mr. Marc Garneau: The client effect—

Hon. Tony Clement: Yes, your question is predicated...I hope it isn't predicated on the belief that the federal government can solve all of this problem by its own; it's with the provinces, with the private sector, and with the federal government that we will get to where we have to get to.

The Chair: Thank you very much, Minister Clement and Mr. Garneau.

[*Translation*]

We now go to Mr. Cardin.

Mr. Serge Cardin (Sherbrooke, BQ): Thank you, Mr. Chairman.

Mr. Minister, gentlemen, welcome to our committee.

If I were the chairman of the CRTC, knowing full well that Globalive has already paid \$442 million to the government, an amount that is more than relatively significant, I would certainly not make my decision lightly.

Let us refer to the decision made by the CRTC, specifically at paragraph 116, which I am going to quote:

Notwithstanding these additional changes, significant concerns remain with respect to the control in fact of Globalive by Orascom. In the present case, the record shows that Orascom, a non-Canadian:

holds two thirds of Globalive's equity;

is the principal source of technical expertise; and

provides Globalive with access to an established wireless trademark.

Do you believe that Orascom does indeed hold two thirds of Globalive's equity?

Hon. Tony Clement: Allow me to answer in English since there are issues that require me to be very precise.

[*English*]

So let me just say a couple of things.

First of all, no. We looked at this very, very closely, with a lot of good legal advice.

There's no question: if you look at the structure of the board of directors, if you look at the voting shares of the company, at who holds the voting shares, and if you look at the day-to-day management decisions, we came to, I believe, a reasonable, fair, and accurate conclusion that it meets the test in the Telecommunications Act to be Canadian controlled—or in one case, the case of the board, not foreign controlled.

So yes, we feel very comfortable on the facts of this particular case that it met the test of the Telecommunications Act.

[Translation]

Mr. Serge Cardin: I was referring to two thirds of equity, whether it be owned directly or indirectly, of course.

I would like you to explain to me what control in fact means to you. In order to have real control, one must obviously hold directly more than 50% of the shares. How do you interpret the concept of control in fact in the telecommunications industry?

Hon. Tony Clement: I will repeat what I already said. Looking at this specific case, it is clear to us that this company is controlled by Canadians. Day-to-day decisions are made by Canadians and not by foreigners. In our view, the decision-making in this company is not determined by foreigners. It is clear that the Telecommunications Act test has been met. There is nothing more I can say.

● (0820)

Mr. Serge Cardin: In the Speech from the Throne, the government clearly stated its intent to amend the Telecommunications Act, specifically regarding ownership. Stating this intent does not reflect the fact that the Order in Council made at the time was contrary to the spirit of the Telecommunications Act — which is obvious when you look at all aspects of the case.

Having reviewed the case, I am convinced, like many others, that it is imperative for the government to rectify the situation, following this Order in Council, by announcing that it would amend the Telecommunications Act. Are you planning to do it soon?

[English]

Hon. Tony Clement: I would disagree with your characterization. I don't think the two are connected at all.

The first decision on Orascom and Globalive was made on the facts of that particular case. The decision to consider liberalization and more access to foreign capital in the telecom industry was made as a public policy decision that would be advantageous to Canadians.

More choice and more quality service are things people expect in telecom. We think liberalization would be helpful in that regard. The two are not connected.

[Translation]

The Chair: Thank you.

Mr. Bouchard, do you have a question?

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

Thank you for being here, Mr. Minister. I also thank the deputy ministers.

Mr. Minister, you stated that foreign investment has an impact on productivity, that foreign investment increases competitiveness. Finally, you have a very positive view of foreign investment.

In my area, we have lived through an experience. Rio Tinto has taken over Alcan. The first thing Rio Tinto did in my area — and even outside of it — was to sell off its processing business. Decisions are being made in London. This company, which is headquartered in London, is much less sensitive to the impact on the people and the demands of the people in my area or from outside.

I would like to draw a parallel with telecommunications and foreign investment. Do you agree that what I just described could also happen in the industry under discussion here? Foreign companies, foreign investment in telecommunications means we, Quebecers and Canadians, largely lose control over the Quebec and Canadian cultural content we want to protect.

Hon. Tony Clement: It is difficult to draw such conclusions at this time, since we do not yet really know the context. However, I can say that I read very convincing studies showing that foreign investment is conducive to greater productivity, greater competitiveness, greater job creation and better choice in the Canadian marketplace. The government of Canada has not yet made a decision as to the provenance of these investments. Obviously, it is an issue for this committee, but the government has not yet made any decision.

The Chair: Thank you, Mr. Minister.

Mr. Robert Bouchard: [*Inaudible — Editor*]... before Rio Tinto took over Alcan. It is exactly the same thing.

The Chair: Thank you, Mr. Bouchard.

Mr. Braid, it is your turn.

● (0825)

[English]

Mr. Peter Braid (Kitchener—Waterloo, CPC): Thank you very much, Mr. Chair.

Thank you, Minister, for being here this morning as we all celebrate the victory of the Montreal Canadiens last evening, Canada's team. I'm sure everyone around the table can agree on that today.

Minister, just to begin, if you could help us set the context, in your presentation, you spoke about the importance of improving productivity in Canada. Could you speak about why that is an important priority for our country?

Hon. Tony Clement: Absolutely. As you know, we are emerging as a nation at the front of the line as we recover from the world economic recession. We have a real opportunity to help make an economy that will be more competitive and innovative for the next generation of Canadians.

That means we need to have access to the best minds and capital. We need to make sure that Canadians who have good ideas have the opportunity to bring them to market, to commercialize those good ideas in Canada, hopefully. As an economy we need the next generation, whether it's RIM or Open Text in the ICT sector, auto parts makers, or aerospace giants. We have a lot going well for us as an economy, but we need to continue to invest in the culture of innovation if we're going to succeed in that regard.

Government policy is not the entire story, but it can be of assistance to the economy and to the players in our economy in getting to innovation and competitiveness. That's the prism through which I look at public policy at Industry Canada.

Budget 2010's decision to remove the manufacturing tariffs for new equipment, being the first in the G20 to do that, and fixing the problem with section 116 of the Income Tax Act to allow for more venture capital for our Canadian-based sector industries—that's why all of those things are important.

I don't believe there's a silver bullet, Mr. Braid. I don't believe there's one thing that's going to tell the whole story on competitiveness. But if we do a series of things, they will cumulatively make a difference.

Mr. Peter Braid: Thank you.

Minister, you stated today and previously that the government is considering liberalizing foreign investment restrictions, specifically and exclusively with the telecommunications sector, and not the broadcasting sector.

As you know, we've been studying this issue at committee. Some witnesses have suggested to us that we can make a clear distinction between those two sectors—both the Telecommunications and the Broadcasting Acts and the authorities and the protections under each—that we can separate them into two different buckets. Others have suggested that we can't make a distinction and there are complications to consider as a result.

Could you respond to those who suggest that a distinction between the two sectors and those two acts cannot be made?

Hon. Tony Clement: Sure. Look, I'm not saying it's easy, but it certainly isn't impossible to draw the distinction between telecommunications as a field of endeavour and activity and then broadcasting and the content that goes into broadcasting. There is no question about it: there has been convergence in the industry between those who are providing telecommunications and the broadcasting. That's a matter of public record.

But in our view, it is possible to deal with them separately.

As I said in my opening remarks, we're very clear that we're not here to change the Broadcasting Act. We're not here to alter the provisions in place right now that protect Canadian content and culture in that act or generally as a matter of government policy.

Is that going to require some stick-handling? There's no question about it. We are in shades of grey, there's no question, but with good public policy that is clear in its intent and description, we can get to where we have to go to allow the ability for investment to occur in the sector in which we want it to occur.

● (0830)

Mr. Peter Braid: Thank you.

Moving now specifically to the satellite sector, could you please elaborate, Minister, on what the benefits to consumers will be to opening up foreign ownership restrictions on Canadian satellite operators, and specifically, benefits with respect to better price, better service, and better quality?

Hon. Tony Clement: I think we're at the point now where we have to level the playing field for the Canadian satellite companies. I'm thinking of Telesat in particular, but others as well. There is an unlevel playing field because they don't have access to foreign capital for their business plans, while all their competitors do.

Right now, Canada is a world leader in satellite technology and satellite deployment. We have to continue to be that. That's a strategic area for this country, I would put to you, and this will allow those companies to, as part of their mix of investment, seek the foreign markets for some of that mix and compete on a level playing field. This allows them to rely on that kind of investment rather than on price points—to be uncompetitive and higher priced in the marketplace. I think that would be a good thing, ultimately, for Canadian consumers.

The Chair: Thank you, Minister.

Thank you, Mr. Braid.

Mr. Masse.

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

Thank you, Mr. Minister, for being here today.

In your remarks, you mentioned increasing companies' headquarters in Canada. Why is that important?

Hon. Tony Clement: Look, we're in a global marketplace, so not every company is going to be headquartered in Canada. That said, we do know that if we have a company that can compete on the world stage and win world markets, yet is headquartered in Canada, that can be one way of ensuring that Canadians are able to participate up the value chain in higher management and innovation.

It's not the only way. I think I know where you're going on this, and there are a lot of good examples of foreign companies that have invested in Canada and in Canadians to the extent that we are participating in those sectors as well. But I think any economy—to be fair to you, Mr. Masse—should have a mix of that. It shouldn't be one or the other.

Mr. Brian Masse: It just seems completely counter to everything your government has done. Look at the case of Vale Inco right now, where foreign ownership clearly has led to a considerable strike of long duration. You've refused to make public comments on it. What do you think about the situation that's happening there right now?

Hon. Tony Clement: I don't think it's accurate to say that I haven't commented on it. I've certainly said that we wish for the parties to get back to the bargaining table, and we wish them well when they are back at the bargaining table.

Having had numerous conversations with the mayor of Sudbury on this matter, we're at one in encouraging the parties to settle their differences through mediation or through bargaining. Ultimately, of course, this is a provincial matter in terms of labour relations, as you know, but—

Mr. Brian Masse: No, I mean you approved—your government did—the takeover there. We could have had an iconic Canadian company, between Falconbridge and Vale Inco, but the government chose another scenario by allowing this to happen.

Have you actually talked to the leadership of Vale in this matter?

Hon. Tony Clement: Actually, I wasn't industry minister at the time—

Mr. Brian Masse: I know you weren't, but your government—

Hon. Tony Clement: —so maybe I'll ask my deputy minister to answer that question.

Mr. Richard Dicerni (Deputy Minister, Department of Industry): I don't think it's fair to characterize these two independent transactions as being the work of the government.

Mr. Brian Masse: Well, to be quite frank, Mr. Dicerni, that's your opinion. The end result was that it had to be triggered through this process, by approval. That's the thing.

Have you talked to the leadership of Vale about this issue?

• (0835)

Hon. Tony Clement: Look, I know it's the NDP position that we should inject ourselves into the middle of the strike. I don't think it's our place to do that. I think it's the province's. Mr. McGuinty has made it clear what their position is. They have been involved in mediation.

The last thing this situation needs is another order of government injecting itself when it has no constitutional authority to do so. I don't think that's going to be helpful and, quite frankly, the mayor of Sudbury agrees with me in that regard.

Mr. Brian Masse: I'll move on, but you did that to auto workers. You got up in the House of Commons and you talked about them having to make concessions. You said that in the House of Commons, so—

Hon. Tony Clement: Well, let's compare apples to apples, Mr. Masse.

Mr. Brian Masse: —you've done that on the other side.

Hon. Tony Clement: That was—

Mr. Brian Masse: You've done that on the other side.

Hon. Tony Clement: —part of an auto rescue where Government of Canada funds were involved, sir.

Mr. Brian Masse: Well, okay.

I thank you for your announcements with regard to the broadband rollout, but I would like to know whether that money includes any of the accounts that were basically brought back to deferral accounts that were paid back out to the government. This is with regard to the overcharge. Is that money still available from the deferral accounts? When will that be available to roll out? Because consumers were

supposed to get back some of that money and then it's also to include some disabled and remote community development.

Mr. Richard Dicerni: The deferral accounts are under the guidance of the CRTC. They are not related to the announcement the minister made on Sunday.

Mr. Brian Masse: Is there any reason why the CRTC has not moved on this decision? The Supreme Court has ruled on it. When will the CRTC release these funds?

Hon. Tony Clement: We're not aware of the particulars of that one.

Mr. Richard Dicerni: We'll get back to you, but it's not part of—

Mr. Brian Masse: Okay. Well, it's hundreds of millions of dollars that is sitting out there that either is owed to consumers through the decision or also could increase broadband delivery. I just hoped that there would be a plan on that, and perhaps we can challenge the CRTC on it.

With regard to the foreign takeovers that could take place with regard to the expansion of the telco industry right now, you have a series of new entrants, the three new entrants that have come in. The CRTC presented that they expect that if we do more liberalization or open it up, there would actually be a consolidation of the industry. We've heard that in testimony here also.

What is your government doing to actually guarantee, though, that consumers are going to get better pricing and better servicing? If that's the intent, is there going to be a consumer bill of rights? What is going to protect the consumer out there to ensure that we don't just have either consolidation or several continuing players that have similar pricing, similar services, and still no real competition? How will that be managed?

Hon. Tony Clement: Sure. I think what I can do right now is note your question and your concerns. Obviously no decisions have been made, and we are watching and reading very closely the testimony before this table. As I said earlier, it all goes into the hopper and will be part of our decision-making.

Mr. Brian Masse: If Canadians do not get better pricing and better service at the end of whatever takes place, or with the new entrants, or if things stay with the status quo and after two years... will you consider the opening of the market and adding the new entrants a failure?

Is the goal at the end of the day going to be to have lower consumer pricing for Canadians and better service? Or is it just to have others in there? If it does fail to provide that extra competition and provide more service for Canadians, what will your government do about that?

Hon. Tony Clement: There's a lot of speculation in that question, Mr. Masse; I think I counted three "ifs", and there may have been more.

Look, all I can do is say that empirical research has indicated that if you do things the right way—and there's an “if” there too—you can increase competition, you can lower prices, and you can increase service. I talk to a lot of Canadians, as you do, and everyone has a story about their mobile provider or their ex-provider. So look, I think that even in their quiet moments the incumbents realize that competition can be good to sharpen pencils and to give consumers more choice and quality.

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

Thank you, Minister.

We'll suspend for five minutes to allow additional witnesses to come to the table. When we come out of suspension, we'll begin our review of the main estimates. This meeting is suspended for five minutes.

- _____ (Pause) _____
-
- (0845)

The Chair: We're coming out of suspension.

Welcome to our additional witnesses. We have Madam Yelich in front of us today. She is joining us as Minister of State for Western Economic Diversification). With her are officials from her department: Mr. Watson, Mr. Saunderson, and Madam Bernard.

We welcome all of you to our committee. We're here to review the main estimates for ACOA, for WED, and for the Economic Development Agency of Canada for the Regions of Quebec, as well as Industry Canada.

We have a number of votes to take at the end of our meeting today.

Without further delay, then, we will hear opening statements from each of the two ministers, beginning with Madam Yelich.

Hon. Lynne Yelich (Minister of State (Western Economic Diversification)): Thank you very much, Mr. Chair.

Mesdames et messieurs, I welcome the opportunity to appear before this committee and to highlight how our government, through my department of Western Economic Diversification Canada, is contributing to a stronger economic future for the west and for all of Canada.

Since 1987, WED has worked to promote the development and diversification of the economy of western Canada and to advance the interests of the west in national economic policy, program, and project development and implementation. There have been a lot of changes over the 23 years that have passed since that mandate was created. This mandate is just as relevant today.

The west remains a distinct region within Canada, one with its own unique challenges and opportunities that need to be reflected in federal initiatives aimed at strengthening our country's performance in the knowledge-based economy. The challenges facing western Canada currently have evolved from those we faced 23 years ago.

While we have accomplished much, it is even more important today than it was in 1987 that western Canada expand its economy into new areas, whether that is in adding new elements to our world-leading natural resource capabilities or becoming dominant players

in sectors of the economy that no one could have dreamed of 25 years ago.

The list of western Canada's competitors on a global basis has changed significantly in virtually all sectors. Competitors who were sometimes small in scale and who lacked market presence have in many cases made significant gains in markets that were easily won by western Canadian businesses. These competitors have set extraordinarily high standards in innovation and productivity that western Canadian businesses need not only match but beat if they are to continue to enjoy the successes of the past.

By working to create a more diversified western Canadian economy that has strong, competitive, and innovative businesses, WD is building a solid and more diverse foundation that will support the west's economic success over the long term. And while we are planning for the long term, this past year we also recognized and addressed the immediate challenges posed by global financial circumstances.

Through the delivery of Canada's economic action plan, our government and Western Economic Diversification Canada are responding to short-term economic challenges by creating jobs and growth in western Canada today, which allows people to keep their businesses, find work, and remain in their communities during difficult economic times.

WD is delivering two key components of the economic action plan in the western provinces: RInC, the recreational infrastructure Canada program, and CAF, the community adjustment fund.

The severity of the global economic downturn required a swift and decisive response and, like the government as a whole, WD rose to the challenge. By January 29, 2010, WD had committed 100% of its RInC funding, the almost \$153 million provided to the west. In the short time from program announcement to full commitment of funding, the department defined the terms and conditions, made a call for proposals, analyzed, selected projects, and entered into contribution agreements.

More than 700 projects—recreation centres, arenas, swimming pools, sports fields, parks, rinks, and community centres—have been approved. Many of them are already being implemented and completed. Not only are these projects building a substantial legacy of recreational infrastructure in western Canadian communities, but they have created or maintained more than the equivalent of 8,000 person-months of employment across the four western provinces to date, and there will be many more in the months ahead.

The results have been similar for the CAF program, which is providing \$306 million over two years to support western communities that have experienced significant job losses and lack alternative employment opportunities. All of the funding has now been committed to projects that have already created or maintained more than 17,000 person-months of employment in western Canada's most vulnerable communities to date.

The 290 approved projects are as diverse as the very communities themselves, from a wood pellet plant in Merritt to a technology commercialization centre in Lethbridge and to a trades training centre in Saskatoon and an industrial park business incubator in Morden, Manitoba.

Canada's economic action plan is working and it will benefit western Canada for years to come.

● (0850)

But as important as it is to respond to the needs of today, we must also continue to build the jobs and industries for the future. That is why we were pleased to see budget 2010 acknowledge the major role that Canada's regional development agencies, including Western Diversification, play in building that future by supporting jobs, growth, and innovation within a context that is unique in each of Canada's diverse regions.

The impact of budget 2010 was considerable for my department. Ever since its creation, a significant component of WD's funding had to be renewed every few years, making it difficult to plan for the medium and the long term and causing hardship for our external stakeholders and partners.

Budget 2010 removed this uncertainty by making this component of WD funding permanent, allowing us to continue to focus our support on initiatives that will drive the west's long-term success: by expanding the west's knowledge-based economy by investing in innovation and technology commercialization, the foundation of economic diversification; creating trade and investment opportunities that help western Canadian businesses expand into the international markets and attract foreign investment, driving the region's future prosperity; and enhancing the productivity and competitiveness of western small and medium-sized businesses, key components of long-term economic growth and an increased standard of living for all Canadians.

Budget 2010 also maintains ongoing funding for Community Futures organizations across the country. There are 90 CFs in western Canada. Members of WD's business service network have a history of working with Western Diversification and other partners to enhance business and community economic development outside the west's major urban centres.

WD is grateful for the strong support our government has shown for our role in enhancing the west's contribution to our nation's success. We are determined to take that contribution to the next level. WD's report on plans and priorities for 2010-11 brings the department's efforts together under a single strategic outcome: that the western Canadian economy is developed and diversified.

Underlying that strategic outcome are program activities that encourage business development, innovation, and community economic development, supported by the department's leadership and coordination role in furthering western interests and responding to western challenges.

WD recognizes that households across the country have adjusted their budgets in response to the new economic realities, and so must we. We are redoubling our efforts to improve the department's efficiency, ensuring that the investment of taxpayers' dollars results in maximum benefits for the people and the western Canadian economy.

WD is proud of the way it's creating and maintaining jobs today while building a stronger western economy that will continue to create new jobs in the future. We are looking forward to completing the work begun last year on Canada's economic action plan and to

working closely with western provinces, industry associations, businesses, and other stakeholders, to leverage the opportunities that will see western Canada reach new levels of success in the global economy.

By working together with our partners to create more innovative and successful business communities, we are building a stronger west for a stronger Canada.

Merci beaucoup.

● (0855)

[Translation]

The Chair: Thank you, Ms. Yelich.

[English]

Minister Clement, I invite you to make an opening statement with regard to estimates.

Hon. Tony Clement: Very quickly, Chair, just let me address the committee on the current status of the 2010-11 main estimates.

[Translation]

I would like to begin, however, by providing this committee with an update on Industry Canada's recent initiatives. When I addressed this committee in March, I outlined Budget 2010's focus on three broad goals: first, implementing year two of the economic action plan; second, outlining a plan to return to fiscal balance; third, targeting investments to position Canada for the economy of tomorrow.

[English]

I also outlined how my department is moving forward with the implementation of some key initiatives to improve Canada's competitiveness.

As a government, one of the strongest tools we have to stimulate economic growth is, obviously a competitive business environment. Our government has implemented significant tax reductions and tax changes to provide businesses with an environment that really encourages new investment.

As a result of our actions, combined with provincial business tax changes as well, Canada's overall tax rate on new business investment is now the lowest in the G7.

[Translation]

Furthermore, we are reducing business costs by eliminating over 1,500 tariffs on manufacturing inputs and machinery and equipment to position Canada as the first country in the G20 to create a tariff free zone for manufacturing. This means that Canadian manufacturers will be able to import goods for further production in Canada without the burden of tariffs and the cost of complying with certain customs rules such as rules of origin.

[English]

To help spur private sector investment, we have also introduced legislation to narrow the definition of taxable Canadian property, which will eliminate the need for tax reporting under section 116 of the Income Tax Act for many investments. As I said before, this will enhance the ability of Canadian businesses to attract foreign venture capital and help our emerging firms access funding and expertise to grow their businesses.

We are continuing to act on a number of other fronts to support Canadian businesses, such as: accelerating trade negotiations; cutting red tape; modernizing our competition and investment laws; further reducing internal trade barriers; working to create a national securities regulator; and, streamlining our immigration system.

[Translation]

But while a good business environment is important, it is critical that our policies also succeed in advancing innovation and driving competitiveness. In this respect, one area that holds particular promise is the digital economy. Information and communications technologies — or ICTs — are as critical to success today as raw materials and transportation were at an earlier time. As I pointed out earlier, Canada can and should be a leader in the digital economy.

[English]

In developing our digital economy strategy, we're going to be focusing on enabling our ICT sector, our information and communications technologies sector, to create new products and services, accelerate the adoption of digital technologies, and contribute to increased cyber security.

Pursuing this strategy means fostering a culture of innovation in Canada, supported by all sectors of the economy, and this will happen with the concerted efforts of governments, academia, and business, all working together. Success won't come solely through a particular government program or even a combination of government programs. It must come from a concerted effort, with government setting the right conditions so that individual businesses can be global leaders in their fields.

● (0900)

[Translation]

Furthermore, our government is committed to ensuring that necessary digital infrastructure is available to remote and rural areas with the Broadband Canada: Connecting Rural Canadians program.

Budget 2009 committed \$225 million over three years to this initiative, which was formally launched by the Prime Minister in July of last summer.

These fundamentals establish a foundation on which the private sector can promote innovation and economic growth.

[English]

I'm proud to announce that we've made significant progress in advancing this broadband program. To date, Industry Canada has received 570 applications requesting close to \$1 billion, so there's obviously a lot of excitement about getting access to this program. Also, this week, as we know, my colleagues and I announced that funding for projects to bring broadband connectivity to 168,000

households in 58 communities has been approved. As I mentioned earlier, more will be coming in the weeks ahead.

Broadband brings important economic and social benefits. It opens the door to information, services, and opportunities that would otherwise be out of reach. For unserved and underserved Canadians, particularly those in rural and remote areas, the program represents an important enhancement of service. Given the huge importance of access to high-speed networks, we will continue to play an ongoing role in ensuring that Canadians in rural areas are not left behind.

Canadian talent in science and engineering is one of our most important resources as well. Our university researchers and students are second to none in the world, and our public sector research capacity is among the strongest in the world as well.

Recently I announced a \$350 million investment in the Natural Sciences and Engineering Research Council's discovery grants program. These grants support the ongoing work of more than 10,000 researchers based at universities all across the country. In addition, \$122 million was announced for scholarships that are being awarded this year through NSERC's postgraduate scholarships and post-doctoral fellowship programs, and through NSERC's share of the Canada graduate scholarships program as well.

[Translation]

But funding scientists and engineers is only half the equation; they also need leading-edge facilities to work in. Budget 2009 committed \$2 billion over two years to repair and renew the R-D and training infrastructure of our Canadian universities and colleges.

I am pleased to announce that this program is now fully committed, providing support for 536 projects, with funding agreements in place with all provinces and territories. As of April 2010, 44 projects have already been completed.

[English]

Our government has also strongly reinforced the importance of small businesses and entrepreneurship in the Canadian economy. For example, budget 2010 provided \$10 million in new funding for the Canadian Youth Business Foundation. This builds on our past record of supporting success. Since 1996, the CYBF has invested in more than 3,500 young entrepreneurs who have created over 16,900 new jobs. This new funding will launch more than 500 businesses over the next 12 months, generating an estimated 2,500 new jobs.

In conclusion, Mr. Chair, I believe these initiatives, taken together, are part of a strong economic package that is successfully supporting Canada's economic recovery. It is a forward-looking package that is creating jobs, stimulating economic growth, boosting productivity, and increasing our global competitiveness.

[*Translation*]

I appreciate your time this afternoon and look forward to your questions.

Merci. Thank you.

[*English*]

The Chair: Thank you, Minister.

We'll have about an hour and 10 minutes for questions and comments from members of the committee. At 10:15 we'll take the votes on these estimates. There is over \$6 billion in votes for the estimates to be approved by this committee.

Mr. Wallace.

• (0905)

Mr. Mike Wallace (Burlington, CPC): On a point of order, the schedule shows the ministers as being here until 10:30.

The Chair: The officials are here until 10:30 to answer any questions we may have—

Mr. Mike Wallace: And the ministers are here until 9:30...?

The Chair: That's right, so we'll have about an hour and 10 minutes for questions and comments by members to both ministers and their officials on the estimates.

At 10:15 we need to take the votes, and since there are quite a few votes—close to 30—I'll set aside 15 minutes for that.

I also want to let members of the committee know that the ministers are leaving at 9:30 and the deputy minister has to appear in front of another committee at 10 o'clock, so he's graciously going to stay here until 10:10. Then he has to get to the public accounts committee to testify.

We'll begin with Mr. Rota and Mr. Dhaliwal.

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

Because of time constrictions, we'll be sharing our time this morning.

I want to thank the minister and the Minister of State for being here this morning.

I was going through the estimates and I read about the Atlantic Canada Opportunity Agency, Western Economic Diversification Canada, the Economic Development Agency of Canada for the regions of Quebec, and the Federal Economic Development Agency for Southern Ontario. We can see that planned spending is on a constant decrease. Normally, we would call that cuts, but we'll call it a decrease for the benefit of discussion.

Each agency has a clear breakdown of its activities showing community development infrastructure, special intervention measures, enterprise competitiveness, positioning of sectors and regions, policies, programs and initiatives, and internal services. They're all listed. Everything is there very clearly. Each one of them is even graphed so that we can see the trend going down.

It gives us an idea of what's coming up. We may not like it, but when we look at it, the priorities are set for programs and

management. Everything's clearly laid out. The future of these agencies is well depicted. We see what's happening. We know where they've been and we know where they're going.

It seems to be somewhat transparent, but the question I have—and the minister probably expects this question—is this: can the minister tell me where I can find the same information for FedNor, which represents the people of northern Ontario?

Hon. Tony Clement: I appreciate the question.

Certainly we have terms and conditions for FedNor as well, which are always subject to a five-year review. Those terms and conditions are made public. We can certainly provide a copy for you if you've not been able to find them in the public record.

Mr. Anthony Rota: I got that answer the last time. I got a glossy brochure that was very pretty but had absolutely no information in it. It had beautiful pictures of northern Ontario. Of course, you know that I think northern Ontario is very beautiful, as I come from there, but I don't need that information.

What I need is the same information I'm getting here in the main estimates on the individual agencies so that the people of northern Ontario will know what is being offered, where we've been, and where we're going. It seems that we always get something 18 months after the fact.

Hon. Tony Clement: I can assure you that the terms and conditions are available. We'll make sure you get that information. They're reviewed every five years. As the honourable member knows, we also have an unprecedented five-year budget floor for FedNor, which has never occurred before.

Mr. Anthony Rota: If we can cut the PR for the Conservative Party and just kind of answer the questions...

I'll wait for the information and pass the questions on to my colleague, Mr. Dhaliwal.

Thank you.

Mr. Sukh Dhaliwal (Newton—North Delta, Lib.): Thank you, Mr. Rota.

I would like to thank the minister and his associates.

My question is to the Minister of WD, Madam Yelich.

Since budget 2007, the core operating budget for WD has been systematically reduced every year. This trend will continue until 2012-13, when the WD budget will have been cut by 48% compared to the final year the Liberal government was in office.

Can you please explain why this department is slowly being eliminated under your leadership?

Hon. Lynne Yelich: Thank you for the question.

WD's core funding has not changed. In fact, it was renewed in budget 2010. I want to reiterate what I said in my speech. The impact of this budget was very important for my department because it was a significant component of WD's funding. It used to have to be renewed every year. It was difficult to plan for the medium and the long term, causing hardship for our external stakeholders.

Budget 2010 removed that uncertainty by making this component of WD funding permanent. That allows us to continue to focus our support on initiatives that will drive the west's long-term success. It was never permanent before.

We deliver programming on behalf of other government departments such as Infrastructure Canada, with economic action plan funding and Alberta and Saskatchewan centennial funding. The main estimates are affected by the timing of additional initiatives and will change when the supplementary estimates are tabled later this year.

But as I said—and I think it's something you should know—it used to be dubious because they didn't know from year to year whether they were going to get funding. Now, there's certainty that they will, because of budget 2010, which has created permanent funding for WD and the other agencies.

● (0910)

Mr. Sukh Dhaliwal: Contrary to what you say, which is that it's permanent, the way I see it is that these are the main estimates and this sets up the plan for the future. Would you simply confirm, yes or no, that the core operating budget for WD in 2012 will be reduced by almost half of what it was under the Liberal government in 2006?

Hon. Lynne Yelich: Well, the drop-off you see in this year's main estimates is the result of the decision of the last Liberal budget in 2005.

Mr. Sukh Dhaliwal: If I look at this article from 2002 by Mr. Harper, the Prime Minister, he clearly spoke about the plans for dismantling all regional economic development agencies like WD, ACOA, and others.

I can submit this article, Mr. Chair. It clearly states his intentions.

When I look at the way the core spending budget for WD and other agencies is cut systematically every year, it seems that the Prime Minister's vendetta has been brought into action through your department and others.

Would you like to comment on that?

Hon. Lynne Yelich: Yes. This is 2010 and the Prime Minister spoke very clearly with his actions by making the funding for WD permanent. It allows us to focus on our initiatives.

As I reread in my speech to you, this is permanent funding, something that was never done by the Liberal government. It was sunsetted. You had programs wherein the Liberal government had—

Mr. Sukh Dhaliwal: But on one hand you are saying that you are making it permanent, but on the other hand the numbers clearly show here—

Hon. Lynne Yelich: From 2002.

Mr. Sukh Dhaliwal: The numbers clearly show, Minister, that every year it has been reduced and you are trying to dismantle the WED department.

Hon. Lynne Yelich: Maybe my deputy minister will make it clearer to you, but we have not removed any funding.

Mr. Sukh Dhaliwal: Core operating—

The Chair: Mr. Dhaliwal, let Deputy Minister Watson respond.

Mr. Daniel Watson (Deputy Minister, Western Economic Diversification): Thank you for the question.

Previously, a significant component of the department's funding was up for renewal every period of years. Budget 2010 puts an end to that cycle by proposing that funding be added permanently to the reference levels of the department. In the future, we won't see the same drop-off related to that key component of our funding.

One of the other big changes—and it's probably the most significant one in terms of where the dollars go—relates to the treatment of infrastructure funding. There was a time when infrastructure funding was voted by Parliament in the vote on Western Diversification. There was a decision made at some point in the past to actually attach that more directly to Infrastructure Canada, which administers the program. So in many cases the same amount of dollars was simply reported under a different heading, and not under Western Diversification any more.

If you look at the core funding for the core activities we do—we don't call infrastructure one of our core activities—the issues the minister spoke to around science and technology, innovation, and competitiveness are what we call our core activities. That funding has either remained stable or, in some cases, been made permanent. That is a significant advantage for us, because we can plan with our partners much more effectively than we could in the past.

● (0915)

The Chair: Thank you, Mr. Watson.

Monsieur Bouchard.

[*Translation*]

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

Welcome, Madam Minister.

Welcome, Mr. Minister and Mr. Deputy Minister. My question is for the minister.

The CANtex program was very much appreciated by the Quebec textile industry. As a matter of fact, that industry recommended or hoped that the program would be extended. The envelopes have been reinvested in other programs at Canada Economic Development.

Could you tell us if, within the amounts that have been reinvested, any money has been set aside for the textile industry?

Hon. Tony Clement: It might be possible to have a clearer answer in the future. That being said, I could say a few words about this. Myself and my team have met with representatives from this industry. We had a good discussion with a view to maintaining a relationship in the future. Even if that program is no longer in place, obviously, there are other mechanisms that we have mentioned that would serve the interests of this industry.

Mr. Robert Bouchard: You say that you will be able to provide an answer later: might I have it in writing? Could you send me a note with the amounts reinvested by Economic Development Canada and the amounts set aside for the textile industry?

I have another question, Minister, pertaining to the Marquee Tourism Events Program. We are aware that the aim of this program is to support marquee events as well as to attract tourists from around the world.

What exactly are the criteria involved in the granting of this financial assistance? Why has a world-renowned festival like the Francolies de Montréal not received a grant whereas your department has subsidized a private business, a football team — the Edmonton Eskimos —, that received financial assistance to celebrate the Grey Cup?

There is something quite paradoxical here. I would like to hear your explanation with regard to the criteria. And why has this marquee festival not been supported?

Hon. Tony Clement: I will say a few words, and perhaps my deputy minister will have something to add.

Obviously, a change was made to the program this year, because it was important to have conditions allowing all urban municipalities to benefit from it. Last year, more than 50% of the grants went to large cities: Toronto, Montreal and Vancouver. This year, it was possible to subsidize 29 other festivals from other cities throughout the country.

I believe it is important that we have diversity and that it be possible to share throughout the country and with the other festivals in Quebec. This year, we are able to offer grants in areas where it was impossible to invest last year.

Perhaps my deputy minister might respond as well.

Mr. Richard Dicerni: It is important to consider this program in the more comprehensive context of the government's approach with regard to the tourism industry. This is one program, but there are others.

With regard to this program, it is important to underscore that it is limited to two years: we had it last year and we have it this year. As the minister stated, this year, the government has decided to target more locations. It has also decided to invest along with the Canadian Tourism Commission, which we be able to support efforts in the coming years.

One must therefore not just look at this year, because this was the final year of a two-year program.

● (0920)

Mr. Robert Bouchard: Mr. Minister, how can you justify such a decision, when your decision was known and had been announced with regard to that international festival one month before the event, and when the organizers had already committed to the expenditures? How can you justify that? You say that this year you will target larger cities, but were people made aware of this ahead of time? You announced your decision just one month before the holding of the events, whereas these organizations had already made their commitments.

Mr. Richard Dicerni: With regard to the timing, I believe that all of the organizations were aware of the fact that no guarantees had been given to any of them. All of them know full well that as long as no decision has been made nor announced, there is no commitment.

The Chair: Thank you, Mr. Dicerni.

Mr. Lake.

[English]

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

I note that John Ivison is in the room. I'm tempted to ask him questions about the British election results, because I'm sure that would be an interesting topic of conversation for both of you—

Hon. Tony Clement: It's not part of my estimates.

Voices: Oh, oh!

Mr. Mike Lake: But that's not part of your estimates, so I'll focus on things that I think will be of interest as we approach whenever our next election campaign is.

I think there are probably a couple of defining issues as we move forward, notwithstanding the stuff that gets talked about in question period. I think criminal justice issues, which I won't get into here, and the issue of taxation will probably be big issues whenever that next election campaign is.

We've seen that the two biggest parties in the House have very different approaches regarding the taxation issue. One of the things we see in the House on a fairly regular basis, no matter what we're funding or what program we're doing, is that the Liberals—well, the opposition parties in general—tend to ask for more. They want more programs being funded and more entities within those programs being funded on virtually every program that we have.

The spending of course has to be funded from somewhere and I think what we've seen is that the Liberal leadership has been pretty clear in terms of having to go down that road—“we will have to raise taxes” was one of their quotes—so I think it's going to be an important part as we move forward.

We've talked about things like GST hikes and, more recently, a specific proposal to raise corporate taxes, which is where I want to go with this question. We've set our corporate tax rate to go from 22% to 15%. I think right now we're at 18%, so we're more than halfway to that mark, and the Liberal Party has proposed a 20% increase in that 15%, to 18%, or three points.

Could you speak to two things?

What is the role that our approach to taxation has played in terms of Canada's leadership economically during this time of global economic slowdown? It's quite well known that Canada is regarded by most experts to have performed very strongly and to be in a very strong position right now.

Then, could you speak to the potential we have or what you think might occur if we were to reverse that trend in corporate tax rates? What are the experts saying? What are Canadian businesses saying in terms of the impact of that?

Hon. Tony Clement: Thank you.

I think you've put on the record a very important analysis of the situation and what separates the government position from the opposition position on taxation.

There's no question that right now we have the lowest tax rate for new businesses in the G7. By 2012, we'll have the lowest tax rate for any businesses in the G7. That is an important point for our competitiveness as we seek to make it easier for domestic businesses to grow and compete, and also to invest foreign capital when it's advantageous for Canada and Canadians.

The other point I would like to make based on your remarks, which should be known by Canadians, is that the current corporate tax reductions—business tax reductions—are already booked. They've been passed in budgets, so any change is actually a tax increase in terms of the expectations of our businesses and their forward planning. It is not correct when the Liberal opposition says they are freezing taxes. They are actually increasing the taxes, because the tax rate reduction was already booked in a budget.

Having said that, I note that there's no question: our current policies are being noted around the world. I notice, and Mr. Van Loan, our trade minister, notices that there is increased interest in Canada as a safe place to invest, with business-friendly policies that can allow a business to grow and add more jobs and more opportunity.

I see that when I go to innovation conferences and competitiveness conferences. I went to one in San Diego three weeks ago, and basically Canada stood almost alone, but certainly apart, because of our policies that are going to grow businesses and grow investment into the future. That's an anecdote, perhaps, but anecdotes tell a story.

● (0925)

Mr. Mike Lake: I want to talk a little about the digital economy strategy. You spoke to it a bit in your opening statement.

Could you outline the consultations, what they involve, and what you see them likely achieving? Then maybe you could comment on the benefit that you might anticipate for Canadian consumers as we move forward.

Hon. Tony Clement: Yes. Let me just say a couple of things about the digital economy, because the digital economy is about more than e-commerce, although e-commerce is certainly a part of it and an important part of it.

The digital economy is also about how business adopts ICT into their business processes, either in marketing or logistics, and those kinds of issues. It's also about how society does things online. It might be citizen interaction with government. It might be gaining access to government services as well as the private sector aspect of it in the social marketing and media aspects.

All of the studies I've read indicate that the more we do online as a society generally, the more productive we will be. That's why this is important for our economic future, and that's why our consultation is going to be so broad.

All Canadians are invited to participate in the consultation, online by social media or by more old-fashioned methods, and we certainly are going to take that into account with a short timeframe: to get the consultations done by July and then start considering the results.

The Chair: Thank you, Minister.

Thank you, Mr. Lake.

We're going to have our last committee member ask both ministers questions about the main estimates before I grant you your leave, Ministers.

So if we could, we'll just have five or six minutes with Mr. Masse.

Mr. Brian Masse: Thank you, Chair.

Just to balance the discussion about corporate tax cuts, the reality right now is that we're actually borrowing money from the public, and we will be paying interest on it for years to be able to do that. It's a policy with the HST, as well, where \$6 billion dollars is going to be borrowed and will have to be paid for until we get into surpluses and retire that debt.

So it certainly is something that Canadians think about. Businesses I know think this is a wrong type of policy, because if you're a manufacturer, for example, and you're not making any money right now, a corporate tax cut doesn't really do you any good.

But I don't want every one of my comments or questions to be an outright attack on the minister here, or to be perceived that way, so I do want to ask about the research and development review that is in the budget. There is a lot of interest in that out there, albeit quiet.

When will the terms of reference be available for that? Will the scope include the public and research councils? Has a date been selected for when that will come out for the public?

Hon. Tony Clement: Sure. That's an important question.

I don't think we've selected a particular date, but let me give you the context. The R and D review was put in the budget because I felt very strongly that we could not simply rest on our laurels. I get a lot of positive feedback, by the way, from business on our R and D partnerships with them, via the IRAP program or SR and ED. Those are two very obvious cases in point, but I don't think we should rest on our laurels.

This is about making sure that we have the best government business programs possible to expand our innovation and competitiveness. Those are the kinds of things I'm asking about. This is good, and we know it's good because businesses tell us it's good, but is it the best? That's the kind of dialogue I want to have with the private sector on this.

Mr. Brian Masse: What about the research councils? Do we have your word that they will be consulted on this as well?

Hon. Tony Clement: Yes, I think we want to get their input. Absolutely.

Mr. Brian Masse: Okay. Thank you.

We were talking earlier about the deferral accounts, an issue that I raised. I've been made aware that the CRTC will apparently receive Bell's final submission on Friday. The deferral accounts are now over \$630 million. You're rolling out rural broadband announcements in remote areas. They have a mandate to use approximately one-third of that as well.

Isn't it a little bit odd that there's no connection between your department and the CRTC on how to roll out a strategy?

Hon. Tony Clement: Well, no, I wouldn't say that. I know that we've been criticized for broadband being rather late vis-à-vis the time of the first announcement, but one of the reasons for this is that we took into account the business plans of the incumbent providers. Those business plans kept changing.

As the providers kept expanding their high-speed networks, we had to change what we defined as unserved or underserved areas. What we decided to do was to go to the farthest points first and then work our way down. The meant working our way down from Nunavut and the Northwest Territories, and from rural Quebec and northern Ontario, rather than trying to pick off some areas where these companies would likely invest in the near future.

• (0930)

Mr. Brian Masse: Are you in discussions with the CRTC, though? Because they will be making the final decision about the use of those funds. Are you in discussions with the CRTC about that?

Hon. Tony Clement: Richard?

Mr. Richard Dicterni: I have two points. One, the CRTC decision has been in the making for quite a few years.

Mr. Brian Masse: Yes, at the least.

Mr. Richard Dicterni: Right.

So we thought it would be useful to just go ahead and make the announcement that the minister made on Sunday, because even when they finalize how that \$600 million will be used, it will take some time to work through. They are faced with the same landscape considerations we were.

And yes, there will be some discussions with the CRTC.

Mr. Brian Masse: One of the items in the budget that was pushed by this committee ages ago in a manufacturing report that we commissioned was to have the capital cost reduction allowance extended over a series of years. The budget still has that allowance in place until 2011.

Why is there no consideration being given to extending that for a longer period of time? What I hear from a lot of industries is that they need several years to plan out some of the larger equipment purchases and they're looking for stability there before they make their investments.

Hon. Tony Clement: I think any budget is a series of decisions and a series of priorities, and our priority is having the lowest business tax rates for small, medium-sized, and large businesses in the G7. That's the priority we chose.

Mr. Brian Masse: Finally, with regard to the.... I don't want to get into a debate about the HST. We all know our positions on this. But the real issue we're going to be facing with the tourism industry in Ontario is a lower number of visits by Americans because of WHTI and the high dollar. Evidence was presented to this committee on British Columbia being affected by the HST in tourism. Two reports were submitted.

Does your government have any plans on being more assertive in the tourism sector to try to increase American visits? A lot of attention has been paid to international visits, but the reduction in American visits is crippling communities in Ontario—everywhere from Fort Erie and the Niagara Falls region to my area.

We've seen a reduction, so is your government planning to do anything? The U.S. had programs to increase passports and so forth. Has your department thought about being more assertive in American markets to help this acquisition and to expand visits in regard to tourism?

Hon. Tony Clement: Obviously we see a number of different markets out there. We see a great potential for new markets in China, Russia, Brazil, and India. Those are huge potential growth markets for tourism for this country. I wouldn't just particularize it to the United States of America per se.

Having said that, I note that Minister of State Rob Moore, who obviously does a lot of work for small business and for tourism, is working on a new tourism strategy. I'm sure his work will be discussed when he's ready to discuss it.

The Chair: Thank you very much, Minister Clement.

Thank you, Mr. Masse.

I want to thank Minister Clement and Minister Yelich for appearing in front of our committee.

Hon. Tony Clement: Thank you.

The Chair: We'll spend the remaining 45 minutes with the officials in further discussion of the main estimates.

We'll continue with Mr. McTeague.

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

Chair, I have a very simple question. I'm going to share this with Mr. Dhaliwal, who has some follow-up questions, as you can understand.

Mr. Dicterni and Mr. Boothe, perhaps I could address this to you. There has been over the years—

The Chair: Excuse me, Mr. McTeague. We'll give them a minute to get seated.

Hon. Dan McTeague: You know what? Actually, in the meantime, maybe we'll allow Mr. Dhaliwal to ask a question. I believe it's for Mr. Watson.

The Chair: Sure.

Go ahead, Mr. Dhaliwal.

Mr. Sukh Dhaliwal: Thank you, Mr. Chair.

Deputy Minister Watson, contrary to what the minister was talking about here.... I'm an engineer. I work with numbers. When I viewed these numbers from the core side of the budget, excluding the stimulus package that is temporary for two years, in 2006 it was \$239 million. Then I saw \$247 million, \$242 million, \$297 million, \$183 million, and \$173 million, and then, in 2012, \$160 million.

Could you speak specifically to reducing the core operating budget compared to what it was under the Liberal government? Why is it decreasing every year?

● (0935)

Mr. Daniel Watson: Sure, absolutely.

We can get you some detailed answers on this later, but the main reason is that at one point in time the infrastructure budget for Infrastructure Canada was actually found in several votes all across government. ACOA, *Développement économique Canada* in Quebec, and Western Economic Diversification, for example, all had pieces of that vote.

So if you wanted to know what the Government of Canada was spending on infrastructure, you had to go all over the place and add them all up. It was felt that for transparency reasons, essentially, it made more sense to show that as one vote, as one activity. So a big chunk of what we used to have in our budget was infrastructure spending.

In the peak year, there was actually \$80 million showing up in our vote. This year it's \$5 million, which is a legacy. More money is actually being spent now in infrastructure than in some previous years, but you won't find it in our vote. You'll find it in Infrastructure Canada's vote, so that you can see in one place the entirety of what the Government of Canada is doing.

That's the biggest single difference in what's gone on here. It's a way of showing the accountability of who is actually spending what money. In this case, it's a bunch of money being spent by Infrastructure Canada rather than by WD.

Mr. Sukh Dhaliwal: So when you say WD is not spending as much money.... The minister talked about the short-term plans when it comes to the economic action plan, which is very temporary, but she has not talked about her vision and plans for this core operating budget when it comes to Western Economic Diversification bringing long-term opportunities to the west. Could you say something about that too?

Mr. Daniel Watson: Absolutely. I think if you go to the minister's remarks, there are a couple of things there that I think are critically important. The western diversification program was born in 1987. If you look at where western Canadian businesses were at that point, a whole bunch of our major competitors today weren't even in existence then as major players. If you look at the industries that western Canada has in many cases today, those industries didn't even exist in 1987—most of the digital imaging business, I think, and all of that.

As western Canadian natural resource producers compete against players that have lower labour costs, that may have different regulatory regimes, which people might think are either fair or unfair depending on your perspective, but that Canadians need to compete against in the world to successfully maintain the standard of living we want, that's something that Western Diversification needs to be involved in.

As we look at places like Vancouver, for example, where the digital imaging stuff was shown off quite successfully at the Winter Olympic Games, if Canada is going to continue to be a player and it

is going to be dominant in that field, we need different sets of skills, business capabilities, and investments than we've had in the past.

Western Diversification, as the minister noted in her remarks, needs to play a critical role in making sure that happens. We have world-class research and development, as Minister Clement and the deputy minister for Industry Canada have noted in their remarks. The question is how we can play a role in turning those ideas into world-class profits for Canadians.

Mr. Sukh Dhaliwal: Thank you.

Hon. Dan McTeague: Thank you, Mr. Dhaliwal.

I'm glad to see you're here, Richard and Mr. Boothe.

Very simply, I note that there's some increase in the budget appropriated to the Competition Bureau and enforcement, some of that in regard to the changes as a result of Bill C-10 last year.

In your estimation, is that adequate? What will be the impact of limiting the need for further public exposure to increases with the introduction of successful administrative monetary penalties, AMPs?

Mr. Richard Dicerni: The short answer is that, in discussion with the commissioner, we believe the resources that have been allocated are adequate to the challenge.

Hon. Dan McTeague: This hasn't obviously come to the attention of the committee at this time, but previous holders of the position of director of the Competition Bureau, or as they are now called, "commissioners", have indicated a shortcoming of resources for effective enforcement.

Do you see a request being made to this parliamentary committee at some point down the road necessitating greater financial resources? Again, I don't have an answer necessarily on the question of AMPs; obviously this goes back to general revenues. Is there a chance of recovering those specific to the department?

● (0940)

Mr. Richard Dicerni: I would note that the budget of the Competition Bureau over the last two or three years was not insignificantly increased. We can give you....

Do you know?

Ms. Johanne Bernard (Director General, Resource Planning and Investments Branch, Department of Industry): Ten million.

Mr. Richard Dicerni: Ten million dollars may not jump out at you in terms of the estimates, but there was an increase two or three years ago, I think, to address the issues you're mentioning.

Hon. Dan McTeague: There's been a greater reliance, and perhaps even.... I don't want to anticipate the outcome of a private member's bill that may put greater pressure on casting a much wider net on study or investigation. Should something like this happen obviously contingencies will have to be made should Parliament pass this.

Mr. Richard Dicerni: We would not like to speculate on parliamentary outcomes.

Voices: Oh, oh!

Hon. Dan McTeague: I figured that, but things can and do change very rapidly. I don't know... \$200 a barrel for crude might suddenly create a new appetite and make them a lot busier.

Let me go to a smaller area in the few seconds that I have, and that's the budget allocated to Measurement Canada. Considering the new legislation that is proposed, which is not yet before this committee—obviously you'll have an opportunity to come back—will it, too, find itself in a position of being in a bit of a shortcoming relative to its new and renewed mandate?

Mr. Richard Dicerni: As you noted, the minister announced new proposals for Measurement Canada, two or three weeks ago, I think. One of the elements is indeed to have third parties become more involved. As the proposal works its way through Parliament and so forth, if there's a need for additional resources I'm sure there will be an opportunity to discuss that.

The Chair: Thank you, Deputy Minister Dicerni.

Mr. Wallace.

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

Thank you for being here. It's one of my favourite topics, the estimates. I submitted a few questions in advance and will try to stick to them, but I may come off them a little bit.

Maybe you could answer this for me. This year's estimates book was excellent. It showed how much difference...a 22% difference that the As, Bs, and Cs, the supplementaries made, in terms of costs. Actually, we spent \$309 billion last year, mostly, I'm assuming, due to stimulus. Would you concur that your budget is up? For your department alone, it's at \$2.4 billion, whereas you're normally around \$1 billion. Is it mainly because of stimulus?

Ms. Johanne Bernard: Yes.

Mr. Paul Boothe (Senior Associate Deputy Minister, Department of Industry): Almost 95% of the increase, I think, is stimulus.

Mr. Mike Wallace: On last year's supplementaries that were submitted, I know you're not all at 22%, but you're a portion of that. Do last year's supplementaries get built into the main estimates this year or do you—

Ms. Johanne Bernard: The answer is, it depends.... For some of the supplementary estimates, we have to ask for them every year, such as, for example, access to repayable contributions for previous years.

But if an initiative were continuing into this year, such as the small business internship program, which was approved in supplementary estimates last year, it is reflected in the main estimates here.

Mr. Mike Wallace: So your base budget would increase if the supplementaries project is a base budget item that will last more than that particular current year. Is that correct?

Ms. Johanne Bernard: That's correct.

Mr. Mike Wallace: This is the first year that I've seen in the front of the book the addition of the supplementaries in a nice chart. It really was more difficult for me to find....

Speaking of structure, which is another one of the questions I have, within this industry budget, I find FedDev for southern Ontario, but I have to go elsewhere in the book to find Western Diversification and the Atlantic Canada and Quebec funds. Why is FedDev included here and not on its own, or are we looking at moving those things back? Why is that set up differently? Why do we have to search for that?

Mr. Richard Dicerni: This year was a bit of a transition year. The Department of Industry had been given a mandate to help start, launch, or establish FedDev because we were carrying out certain activities such as Infrastructure Canada activities. The government asked us to put it together, launch it, and create the infrastructure, because there was no staff. There was nobody there. That was one of the reasons why it was captured within our—

● (0945)

Mr. Mike Wallace: Would you put that as a separate item next year or do we know?

Ms. Johanne Bernard: Well, it's separate within the industry portfolio.

Mr. Mike Wallace: I know it's separate within here, but Western Diversification has its own part of the book. It's not in the industry section. Can I expect FedDev to be separate? It's federally administered. Are we going to continue to keep it within the industry portfolio?

Ms. Johanne Bernard: My understanding is that it remains under the industry portfolio, under Minister—

Mr. Mike Wallace: Okay. I appreciate that.

Based on the budget, on Bill C-9, I'm not a big fan, to be frank, of departments being able to come back three times in a year. I've said that for four years in a row now and I'll continue to be that way.

Based on Bill C-9, are we expecting big supplementaries in A and B—and I hope not in C—from the industry department?

Ms. Johanne Bernard: First of all, in the budget implementation act, two of the programs, Genome Canada and the Canadian Youth Business Foundation, were directly in the budget implementation act and will not be coming back in the supplementary estimates.

What we will see in supplementary estimates (A) are the two initiatives that have already been approved by Treasury Board ministers. Those are for the National Research Council, for the cluster initiatives and for TRIUMF, for a total of \$113 million for those two. So that would be supplementary estimates (A).

There are nine other initiatives for which we're currently in the process of finalizing the program details. We'll put those out for consideration to Treasury Board ministers. Once they are approved, they will go into supplementary estimates (B), most likely.

Mr. Mike Wallace: For my final question in this round, if you don't mind, I'm going to go to Statistics Canada, for example. They're getting a fairly significant increase. As a percentage, it's 20%. Then, in 2011, they go up again, but drop significantly in 2012. Where I always try to find things that are a little bit odd is where the FTEs don't match up or change considerably.

Can you explain what's happening at Statistics Canada? Are you going to be prepared? Because I think we need to make cost-cutting—and I make no apologies for it—in areas where we can. Can you tell me what's happening at Statistics Canada?

Mr. Richard Dicerni: The census.

Mr. Mike Wallace: It's the census? So those are temporary employees?

Mr. Richard Dicerni: It relates to the 2011 census. There's a ramp-up and then a ramp-down.

Mr. Mike Wallace: A ramp-down—okay.

I really appreciate that. That's good.

Thank you very much.

The Chair: Thank you, Mr. Wallace.

Thank you, Mr. Dicerni.

[*Translation*]

Mr. Cardin.

Mr. Serge Cardin: Thank you, Mr. Chairman.

Ladies and gentlemen, welcome.

Two issues are very close to my heart: broadband and climate research. The minister, and even the department, are saying that it is important that everyone be connected, that socio-economic development depends on it. For my part, I would even go so far as to say that insufficient funding for getting remote regions online could even be a strong contributing factor to the exodus of young people. A lack of such funding could even discourage a good many people from settling in outlying regions. Indeed, as you know, people are more and more able to work from home thanks to quality well-performing tools.

What do you estimate it would cost to connect everyone ?

Mr. Richard Dicerni: As public servants, we are here to explain, describe and comment on the estimates the government has presented to you. It is difficult for us to speculate with regard to the overall envelope. Furthermore, it depends in part on what you mean by connect. There are various levels of quality in the services that people can obtain.

● (0950)

Mr. Serge Cardin: I am talking in particular about high speed. No one any longer wants to have a pedal system for the Internet.

Mr. Richard Dicerni: The cost depends in part on the quality of the services chosen. The minister stated earlier that the investment of approximately \$200 million would extend the service to a good many Canadians. We did not do any definitive calculations in view of determining how much it would cost to connect up to the very last Canadian in some isolated part of the country. However, we are of the view that the investments to come will significantly contribute to filling the gap between those who presently have access to those services and those who do not.

Mr. Serge Cardin: I imagine that you are used — in the good sense of the term — by the department as advisors. There therefore must be assessments. The minister said that this brought about a lot of interest. We are talking about 570 requests for a value of approximately \$1 billion. That is the first stage. I imagine that a large portion of these requests could be covered by this \$1 billion investment. Today, we have \$225 million. We are talking of a three-year waiting period. I do not know if you have advised the minister to act more quickly. I hope such is the case. The need is immense. It is constantly being repeated that economic development relies, among other things, on the development of the digital economy. The need to act is therefore more than urgent.

I believe I heard the minister talk about private sector investment in this regard. What amount does the department hope these investments will reach?

Mr. Richard Dicerni: I would first like to make a clarification with regard to the billion dollars the minister talked about. We put out a call for tenders to the private sector and various companies submitted proposals to us. However, in several cases, these proposals targeted the same territory. This does not necessarily represent the entirety of the country's needs.

Mr. Serge Cardin: Mr. Chairman, would it be possible to ask the department to hold an information session regarding the present situation and the factors it relied upon to identify the needs?

The Chair: Yes, we could discuss that.

Mr. Serge Cardin: It is because I would like to move on to my next question.

Mr. Richard Dicerni: What I can tell you is that, on our Web site, we have posted a geographical map showing the areas for which we have asked private sector players to make submissions. The framework through which we have defined the areas remaining to be served is therefore already public knowledge.

As Mr. Masse was saying earlier, we must not forget the contribution the CRTC will be making once it has reached its final and definitive decision.

Mr. Serge Cardin: It is more difficult to identify the real needs with little coloured dots.

Mr. Richard Dicerni: You could search on our Web site. Our geographical maps are quite precise.

The Chair: Thank you, Mr. Cardin.

I now give the floor to Mr. Wallace.

[English]

Mr. Mike Wallace: Thank you, Mr. Chair. I'm glad to have a few more minutes.

The numbers we see here: are they net of any revenues? Are they net numbers or are they gross numbers?

They're net numbers? Okay.

Does the Ministry of Industry have any revenue sources, other than taxes, of course? Can you give me a list of the kinds of things that Industry charges in terms of user fees or anything you have that you gain funds from?

Mr. Richard Dicerni: Yes, we have a lot.

Mr. Mike Wallace: Can you give me some examples?

I think Johanne has some examples

Ms. Johanne Bernard: Yes. We have a number of them. The ones that are not re-spendable, which are things like fines for infractions under the Competition Act, or spectrum licensing, go straight to the consolidated revenue fund, so they would not be in the main estimates. But you would see the details in the report on plans and priorities and see how much—

Mr. Mike Wallace: So are there some that you are able to collect that stay with Industry?

Ms. Johanne Bernard: Yes, those would be for when we're allowed to recover our fees, our operating costs. For example, one is the cost of processing. A company wanting to incorporate themselves pay a fee and we retain that to pay for the staff and the necessary equipment. We need to do that.

Mr. Mike Wallace: How big a number is it that you collect annually?

Ms. Johanne Bernard: Well, we have four organizations, and we're in the range of \$68 million or so. But if you add CIPO to that, we're talking about another \$140 million or \$150 million or so.

• (0955)

Mr. Mike Wallace: Do you get push-back from the clients on those fees?

Ms. Johanne Bernard: No.

Mr. Paul Boothe: No, they love our service.

Voices: Oh, oh!

Mr. Paul Boothe: But the biggest one is CIPO, the patents office, and CIPO has a revolving fund, so that fees are paid with the submission of patents and copyright, and those fees are used to offset the costs of administering that.

I mean, there are rules around the fact that this can't be a profit centre for Industry Canada.

Mr. Mike Wallace: Okay.

Mr. Paul Boothe: We have to line up over time—over time, not at every instant in time—our reasonable costs with the fees that we charge. I think it's safe to say that we don't get a lot of criticism from our clients on the question of fees.

Mr. Mike Wallace: Okay.

There's another question I have for you. I'm a firm believer that we had to do the stimulus funding, but I'm also a very firm believer that we have to get back to a more balanced approach than we've had. I prefer to do it internally rather than what has happened in the past, where we've taken money away from some of our partners and not transferred money and so forth.

For an organization such as Industry Canada that's had a significant increase, an increase of two and a half times, in getting back there, there are a number of issues I have in terms of hoping that happens. But one of the programs that I hear positive things about over and over again—and I think the minister mentioned it too—is IRAP. What is the future of the IRAP program in your view, from the staff perspective? Do you think it will play a more significant role or maintain its money? Where do you hope to see that go?

Mr. Richard Dicerni: I have two points. One, the amount the IRAP received under the economic action plan was a top-up to an existing base. Secondly, there was a reference, I believe by Mr. Masse, to the R and D review. This is one program in that context that would be looked at in terms of effectiveness as to whether it deserves more money.

Thirdly, I would say that within the initial launch of FedDev there was some additional IRAP money targeted to southern Ontario. In some ways there was a double supplement that occurred for this program.

Mr. Mike Wallace: Just in clarification on what you said earlier, in Bill C-9 we have some more money for Genome Canada. In the budget it looks like there's a decrease—I can't remember if it was a decrease—to \$48 million or something. So this budget doesn't reflect what's in Bill C-9, of course, because it was done long ago in the fall, right?

Ms. Johanne Bernard: No. This is a timing issue. This was printed before—

Mr. Mike Wallace: So that number is not really accurate based on Bill C-9 if Bill C-9 actually passes and becomes law. Is that correct?

Ms. Johanne Bernard: That's correct.

Mr. Mike Wallace: Will we see that in the supplementary estimates (A) that have to be done?

Ms. Johanne Bernard: No, because in the case of Genome, it will be charged directly from the budget implementation act. Where you will see it is in public accounts as payments are made. There will not be a need for a new appropriation to be voted. Once Bill C-9 is approved, the authorities will be granted to make the payments to Genome Canada.

Mr. Mike Wallace: I have one quick final question.

The Chair: Quickly.

Mr. Mike Wallace: These are estimates?

Ms. Johanne Bernard: Yes.

Mr. Mike Wallace: They're not actuals.

Ms. Johanne Bernard: No.

Mr. Mike Wallace: Where would somebody like me find the actuals that are spent in a year?

Ms. Johanne Bernard: You will find them in two places: either the *Public Accounts of Canada* or, for even more detail, the departmental report on plans and priorities.

• (1000)

Mr. Mike Wallace: Thank you very much.

The Chair: Thank you, Mr. Wallace.

Mr. Masse.

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

Thank you as well, Mr. Dicerni, for staying.

With regard to the Federal Economic Development Agency for Southern Ontario, what is going to be the focus? Is it going to be manufacturing, food processing, agriculture, renewable energy...? What's the plan for that agency over the next few years?

Mr. Richard Dicerni: In keeping with appropriate accountability responsibilities, I think you should ask Minister Goodyear and Deputy Minister Archibald. They have been making a number of decisions/announcements, and I think they would be in the best position to respond specifically to the going-forward strategies they have.

I could speak to when we had a little bit of carriage of it in terms of getting it launched, where we invested some moneys, but in terms of going forward, you should ask them.

Mr. Brian Masse: It's being politically crafted, then. The department doesn't have a plan or a business model that was evolved and then handed down to political decision-making? You're telling me right now that basically all you did was launch it—

Mr. Richard Dicerni: Well, just launching it, I think belittles the effort that went into it—

Voices: Oh, oh!

Mr. Brian Masse: Well, you just told me to go see Mr. Goodyear and you're the deputy minister. If we ask you about Statistics Canada and all kinds of departments, you usually are able to provide a response. You just told me to go see somebody else.

Mr. Richard Dicerni: Minister Goodyear has his own deputy minister. In the same way that Mr. Watson is deputy minister of Western Diversification, Minister Goodyear's deputy minister is Bruce Archibald.

Secondly, in terms of what I can speak to with some measure of authority and knowledge, I could speak to the investment that was made when we did the hand-off to Minister Goodyear and to Dr. Archibald, which was announced last August 13, I think.

Subsequent to that—because you're asking about their strategies, whether they are going to be in R and D or manufacturing or what have you—I thought it would be most helpful if they were able, in the same way as—

Mr. Brian Masse: I just don't have them here, so.... Minister Clement approves the final decisions. Is that not true?

Mr. Richard Dicerni: In this particular case, Minister Goodyear does have authority to make decisions over which initiatives get federal support.

Mr. Brian Masse: So Minister Clement will not make the final decision on those programs and spending, then?

Mr. Richard Dicerni: That's correct.

Mr. Brian Masse: Thank you. That's fair enough. We'll follow that up.

The marquee tourism program has attracted a lot of attention because a lot of festivals need several years to sustain themselves and evolve their markets, and there has been a really difficult period of time in regard to getting sponsorships, advertising, and other revenues that traditionally had been available out there—even attendance at some of these festivals.

Did your department recommend the marquee tourism programs that would be finalized? Did you present that to the minister for final...? Is there an evaluation? There are a lot of questions over, for example, the Toronto and Vancouver pride festivals, and even here in Ottawa, with jazz versus blues. Does your department have a full recommendation and then pass it on to the minister?

Mr. Richard Dicerni: The criteria that were used to assess programs, projects, or submissions are public; they're on our website. The AG is currently doing a review of year one of funding in terms of how we went about it. The department reviewed all applications that were submitted against program criteria to make sure that what was being proposed was eligible for funding in terms of certain activities. Then, in concert with the minister and the minister's office, final decisions were made about projects.

Mr. Brian Masse: Were any of your recommendations overturned?

Mr. Richard Dicerni: This would be bordering on that very delicate zone of ministerial-departmental interface—

Mr. Brian Masse: No. I don't think it is. Let me give you a quick example. For student summer programs, we as members of Parliament are presented a list, and we either approve or disapprove of that list, and you can make adjustments to that even if you're in opposition. It makes no difference.

The same thing happens in this situation. When you submit a list to the minister, what I want to know is whether or not that list was changed from the original submissions from the department.

• (1005)

Mr. Richard Dicerni: As I said, we reviewed all applications that were submitted and provided an assessment as to how closely they conformed to program criteria, and then had subsequent discussions with the minister and the minister's office. At the end of the day, obviously, all the decisions are made by the minister.

Mr. Brian Masse: But you make recommendations, do you not?

Mr. Richard Dicerni: We assessed all projects against criteria.

Mr. Brian Masse: Do you make recommendations? That's almost absurd. I've dealt with youth programs and worked on them for years, and they've always had recommendations from the departments that go forward in terms of the analysis.

Mr. Richard Dicerni: There are a couple of things that I think are worthy of noting. This program is an element within the economic action plan. I can give you another example of the other major program within the EAP that the department was responsible for, which is the knowledge infrastructure program. We used exactly the same approach. We reviewed all applications from universities, community colleges, assessed them against—

Mr. Brian Masse: Mr. Dicerni, I'm asking a simple question: whether the department makes recommendations to the minister.

The Chair: The deputy minister has responded. You may not be happy with the response, but he has answered your question. I'm going to go to Mr. Braid next, but the deputy minister has responded.

Mr. Brian Masse: That's not a response. It's a simple, straightforward question: whether they make recommendations about a program or not.

The Chair: I think, Mr. Masse, if you review the transcript, you'll see in fact that the deputy minister did answer that question. I ask that you take a look at it later—

Mr. Brian Masse: I'll leave it at that, Mr. Chair.

The Chair: —and if we want to pursue that further at some future date, we can.

Mr. Brian Masse: I'll leave it at that. Thank you.

The Chair: Right now we're going to go to Mr. Braid.

Mr. Peter Braid: Thank you, Mr. Chair.

Thank you to our officials for being here this morning.

Mr. Richard Dicerni: Pardon me—

Mr. Peter Braid: Yes, sir?

Mr. Richard Dicerni: I believe that your colleagues at public accounts would like me to visit with them now.

Mr. Paul Boothe: I'm still here.

Mr. Peter Braid: Thank you, Mr. Dicerni.

I have just a couple of questions with respect to estimates for FedDev. I'm not sure if their answers or questions can be addressed this morning without Minister Goodyear or Mr. Archibald here, but let's give it a try.

First of all, I note in the estimates for FedDev that the southern Ontario development program, SODP, has estimated spending of \$176 million in 2010 and 2011. Could you speak to what that spending will be on, what types of programs or initiatives?

Mr. Paul Boothe: Unfortunately, what we really need to do to give you a good answer to that is the RPP of FedDev Ontario, which we don't have right now.

The other thing to say, of course, is that Minister Goodyear and Bruce Archibald are the real experts, so they'll be the ones who could give you the best answers.

Mr. Peter Braid: Is the SODP a five-year program?

Ms. Johanne Bernard: I believe so, but I'm not sure.

Mr. Peter Braid: Let me try one last one.

Again I note that planned spending for 2010-11 is \$395 million, and then it levels off the following two years to just over \$200

million. Could you speak to why the planned spending is higher for the next fiscal year?

Ms. Johanne Bernard: I'm sorry. We don't have that information either.

Mr. Paul Boothe: I would just tell you, though, with respect to your previous question, that SODP, I'm advised, is a five-year program.

Mr. Peter Braid: Thank you very much.

The Chair: Do you need more time?

Mr. Peter Braid: Can I share my time with Mr. Van Kesteren?

The Chair: Yes.

Go ahead, Mr. Van Kesteren.

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

Mr. Boothe, I don't know if you can answer this question for me. I don't have any questions on the estimates, but the government has made a conscious effort to concentrate in certain areas rather than spread its resources right across the field. There was a report done and, of course, that report made that recommendation.

I'm sure you have a system of monitoring the success of this program. Can you comment on that and just tell the committee how that has been working? I know that we zeroed in on high tech and the areas in which we feel that Canada is going to be able to excel in future years. Can you just comment on that?

• (1010)

Mr. Paul Boothe: When you're talking about this program, do you mean our spending related to R and D?

Mr. Dave Van Kesteren: Yes.

Mr. Paul Boothe: This is obviously a very important question for us. There are a couple of facts that are staring us in the face here. One is that we are a leader in the OECD on public support for R and D, and we're pretty successful in terms of our results, especially in terms of basic science.

But where we're not very successful is in business support for R and D. In fact, at best, we're in the middle of the pack.

This is, I believe, one of the reasons that the government has decided to undertake this R and D review, because we do spend a lot of money in this area, in two parts. One bucket is on the tax support side, the scientific research and experimental development—or SR and ED—tax credit. The other part is direct support, some of which is for basic science but some of which is directly aimed at R and D.

We have some areas that, we hear from stakeholders, work really well. For example, IRAP is one that stakeholders feel is very successful. We have increased our support in other areas, but this is something that the government wants to look at through the R and D review.

The Chair: Thank you, Mr. Boothe.

Mr. Garneau.

Mr. Marc Garneau: Thank you very much.

I have a question for Mr. Watson in answer to Mr. Dhaliwal's question about why the WED's budget was ramping down. It seems to me, if I understood correctly—and this applies to other regional development agencies as well—that you said a decision was made to remove infrastructure, that component, from it.

If it's going down, I just want you to tell me whether that means this infrastructure component that was removed from it is actually increasing, because that's the only way I can make it work out.

Mr. Daniel Watson: Yes. If you look at the estimates—I don't have them right in front of me now—while it was in WED's component, it was not in Infrastructure Canada's vote. Of course, you only vote on it once. What got taken out of our vote got put into the Infrastructure Canada vote.

There is another piece that's worth mentioning here. In 2005, 2006, and 2007, there were moneys set aside to celebrate the centennial of Alberta and Saskatchewan joining Confederation. As much as those of us from Saskatchewan and Alberta would like to celebrate that every year, the parliamentary vote of the day was that it was a fixed amount of money for a fixed period of time. Of course, one knows the payment for those celebrations ended and those programs ended. Obviously it stopped being in our vote.

So between infrastructure and the centennial program, that would be the vast bulk of what has actually disappeared from it.

Mr. Marc Garneau: So if I look into the estimates for infrastructure, I will see that they are actually increasing for your western region.

Mr. Daniel Watson: You'll see that entire vote. I don't know that they identify it by region particularly. It's one big number for that department. I don't have it in front of me, but that's the principle, and I'm quite certain that's the way it shows up.

Mr. Marc Garneau: I have a quick question for Mr. Boothe on SADI. SADI has been around for a while, and if I'm not mistaken, there have been three announcements with respect to it for a total of about \$50 million. There's still over \$300 million for that program that has not been allocated. I just want to know whether we can be assured that the money will be reserved and continue to be reserved for the SADI program.

• (1015)

Mr. Paul Boothe: I would say it's certainly our working assumption that this is the way it will work. This, of course, depends on the decisions of Parliament in the future, but I would also say, without saying any names, that we are in active discussions with a number of companies right now related to the SADI program. So the program is alive and well, and we're working through the discussions with companies to make further use of the program.

Mr. Marc Garneau: I make the assumption that the money will stay there because, after all, it was announced specifically for SADI by the government with a great deal of fanfare.

I have one last question.

[*Translation*]

Is the government of Canada going to continue to subsidize the asbestos industry? Is the federal government going to continue to fund the Chrysotile Institute? Is that this government's position?

Mr. Paul Boothe: I did not understand. What industry are you talking about?

[*English*]

Mr. Marc Garneau: I'm talking about the asbestos industry. Is it the government's policy to continue to finance the asbestos industry through funding of the Chrysotile Institute?

Mr. Paul Boothe: I'll have to confess that I don't know anything about that funding now. If it is in fact Industry Canada funding, I will find out and get back to you in a timely way.

Mr. Marc Garneau: Your point is valid—it may be another department—but I am curious about the question.

Thank you.

The Chair: Thank you, Mr. Garneau.

Before we suspend briefly to allow our witnesses to depart, we'll have just a brief question from Monsieur Bouchard.

Brièvement, s'il vous plaît.

[*Translation*]

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

I will put my two questions, and I would ask for a written response, even if it has to be sent to me later.

First of all, what might the deadlines be for a company requesting a grant? My question relates mainly to the economic development agencies. We know that there are four economic development agencies in Canada. What is the expected timeframe, between making an application and receiving the minister's signature?

Secondly, I would like to know to whom authority is delegated within the operational structure of each one of the economic development agencies. There is the Atlantic Canada Opportunities Agency, the Economic Development Agency of Canada for the Regions of Quebec, Western Economic Diversification. Is a decision-making power granted to a deputy minister or to representatives of the other levels of government? Is the decision-making power held exclusively by the minister? I would like to have this information for each one of the agencies.

Answer me in writing, it is not a problem for me.

The Chair: Thank you, Mr. Bouchard.

Please be brief, Mr. Boothe or Mr. Watson.

Mr. Daniel Watson: I would say, very quickly, that Western Economic Diversification grants no subsidies to private companies. There therefore is no timeframe.

The Chair: Very well.

Mr. Boothe.

[English]

Mr. Paul Boothe: I will research the question and give a written answer, but I'm not aware that there are criteria laid out for the exact timing.

As far as the delegation of authority goes, I would just say that in general the form of a department is under the authority of the deputy minister, although the aims of the department and the budget of the department of course belong to the minister, and ultimately to Parliament.

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

Thank you to our witnesses.

We'll suspend for just two minutes to allow the witnesses to depart. Then we'll return to vote on the estimates.

This meeting is suspended.

• _____ (Pause) _____

•

• (1020)

The Chair: We are resuming our meeting.

We have about 30 votes to vote on and we're going to go through each one of them. The amount of money we are approving is in excess of \$7 billion, which is under three different headings.

The committee has three choices with respect to each vote: the committee can adopt the vote, the committee can negative the vote, or the committee can reduce the vote.

We'll begin in the order in which we've been given them, beginning with the Atlantic Canada Opportunities Agency.

ATLANTIC CANADA OPPORTUNITIES AGENCY
Department
Vote 1—Operating expenditures.....\$84,797,000

(Vote 1 agreed to on division)

Mr. Marc Garneau: Which document are you following?

Mr. Dave Van Kesteren: None of us has a document.

The Chair: The question of which order I am following has been asked. I'm following the orders of the day. On the orders of the day, the votes are listed.

Mr. Mike Wallace: Votes 1, 5, and 10.

The Chair: I've taken the amounts from the estimates in the big blue book. On the orders of the day, the votes are listed in order.

Mr. Mike Wallace: Mr. Chair, to speed things up a little bit, can we take the votes that are assigned to the different agencies?

The Chair: Just one minute, Mr. Wallace. Let's just tend to Mr. Garneau's question.

On the orders of the day, the votes are listed. I'm following that order.

• (1025)

Mr. Mike Wallace: Can we do them in chunks under the agencies under which they're listed? Instead of doing votes 1, 5, and 6, we could do all the votes under the Region of Quebec.

The Chair: We're currently on vote 5 for ACOA, so I'll call that vote.

Shall vote 5 under ACOA carry?

ATLANTIC CANADA OPPORTUNITIES AGENCY
Department
Vote 5—Grants and contributions.....\$288,876,000

(Vote 5 agreed to on division)

The Chair: Shall vote 10 carry?

ATLANTIC CANADA OPPORTUNITIES AGENCY
Enterprise Cape Breton Corporation
Vote 10—Payments to the Enterprise Cape Breton Corporation.....\$83,070,000

(Vote 10 agreed to on division)

The Chair: Shall vote 1 carry?

ECONOMIC DEVELOPMENT AGENCY OF CANADA FOR THE REGIONS OF QUEBEC
Economic Development Agency of Canada for the Regions of Quebec
Vote 1—Operating expenditures.....\$47,083,000

(Vote 1 agreed to on division)

The Chair: Shall vote 5 carry?

ECONOMIC DEVELOPMENT AGENCY OF CANADA FOR THE REGIONS OF QUEBEC
Economic Development Agency of Canada for the Regions of Quebec
Vote 5—Grants and contributions.....\$376,443,000

(Vote 5 agreed to on division)

The Chair: We'll now go to the votes for Industry Canada.

Mr. Mike Wallace: Could we please lump them all together, Mr. Chair?

The Chair: Would you like to adopt all the votes for Industry Canada?

Mr. Mike Wallace: It can be on division if they want; I don't care.

Some hon. members: Agreed.

The Chair: So it's votes 1 through 105 inclusive. It is the wish of the committee to adopt them all at once.

Shall all those votes carry?

INDUSTRY

Department

Vote 1—Operating expenditures.....	\$365,256,000
Vote 5—Capital expenditures.....	\$10,730,000
Vote 10—Grants and contributions.....	\$1,294,657,000
Vote L15—Payments pursuant to subsection 14(2) of the <i>Department of Industry Act</i>	\$300,000
Vote L20—Loans pursuant to paragraph 14(1)(a) of the <i>Department of Industry Act</i>	\$500,000
Canadian Space Agency	
Vote 25—Operating expenditures.....	\$252,278,000
Vote 30—Capital expenditures.....	\$81,394,000
Vote 35—Grants and contributions.....	\$46,292,000
Canadian Tourism Commission	
Vote 40—Payments to the Canadian Tourism Commission.....	\$100,643,000
Copyright Board	
Vote 45—Program expenditures.....	\$2,818,000
Federal Economic Development Agency for Southern Ontario	
Vote 50—Operating expenditures.....	\$34,011,000
Vote 55—Grants and contributions.....	\$469,523,000
National Research Council of Canada	
Vote 60—Operating expenditures.....	\$361,305,000
Vote 65—Capital expenditures.....	\$48,115,000
Vote 70—Grants and contributions.....	\$213,048,000
Natural Sciences and Engineering Research Council	
Vote 75—Operating expenditures.....	\$42,511,000
Vote 80—Grants.....	\$973,263,000
Registry of the Competition Tribunal	
Vote 85—Program expenditures.....	\$1,907,000
Social Sciences and Humanities Research Council	
Vote 90—Operating expenditures.....	\$23,652,000
Vote 95—Grants.....	\$648,765,000
Standards Council of Canada	
Vote 100—Payments to the Standards Council of Canada.....	\$7,129,000

Statistics Canada

Vote 105—Program expenditures.....\$491,001,000

(Votes 1, 5, 10, L15, L20, 25, 30, 35, 40, 45, 50, 55, 60, 65, 70, 75, 80, 85, 90, 95, 100 and 105 agreed to on division)

The Chair: The final set of votes under Western Economic Diversification includes two.

WESTERN ECONOMIC DIVERSIFICATION

Western Economic Diversification

Vote 1—Operating expenditures.....\$54,895,000

Vote 5—Grants and contributions.....\$368,189,000

(Votes 1 and 5 agreed to on division)

Hon. Dan McTeague: Mr. Chair, I don't know if you're hearing it here. My colleagues and I are saying "on division".

The Chair: Yes, we are hearing that. The clerk is recording that.

Hon. Dan McTeague: Thank you, Mr. Chair.

Mr. Anthony Rota: Just to clarify the previous vote, Mr. Chair, the votes listed are not inclusive between 5 and 105. We've already voted on this, but it's just to clarify that it was not inclusive between votes 5 and 105, but it's the ones listed here.

The Chair: Under Industry Canada we voted en masse for votes 1 through 105 inclusive.

Mr. Anthony Rota: Inclusive. Okay, very good.

The Chair: With vote 5 carried under WED, those are all the votes.

Shall the chair report the main estimates back to the House?

Some hon. members: Agreed.

The Chair: Okay. The chair shall report the main estimates back to the House. Thank you very much for your cooperation on this file.

Now we're going to move in camera. I'll ask the clerk to have us put in camera while we discuss the draft report for the telecom study.

[*Proceedings continue in camera*]

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