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Chair

Mr. David Sweet

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• (1535)

[English]

The Chair (Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC)): Good afternoon, ladies and gentlemen. *Bonjour à tous.* Welcome to the fifth meeting of the Standing Committee on Industry, Science and Technology. Today we have officials from the department who have come here as requested to give us an overview of the industry department.

We have with us Kelly Gillis, the chief financial officer, comptrollership and administration sector. We also have Simon Kennedy, senior associate deputy minister, and Mr. Richard Dicerni, the deputy minister.

We will begin with Mr. Dicerni's opening remarks right now.

Mr. Dicerni, thank you very much for coming.

Mr. Richard Dicerni (Deputy Minister, Department of Industry): Thank you very much, Mr. Chairman, for inviting us to your first meeting.

I've been asked to do a bit of an overview of the department. I will start by noting my two colleagues: Simon has been with us for over a year now, and Kelly has been with us for two or three years.

I'd like to give a brief overview of what the department does and speak briefly about the industry portfolio, which encompasses the granting councils and so forth.

Now, first things first. We note on the first slide that we work with and support four ministers:

[Translation]

Mr. Paradis, who is the current minister; Mr. Goodyear, who is the Minister of State (Science and Technology) (Federal Economic Development Agency for Southern Ontario); Mr. Bernier, who is the Minister of State (Small Business and Tourism); and Mr. Clement, who has maintained his responsibilities for FedNor.

If you come and visit the department, you will see that, as public servants, we support the work of four ministers.

[English]

If you turn the page to Industry Canada's mandate, I'd like to focus on each of our mandates and then discuss with you some of the initiatives we are involved with in each.

The department in the portfolio seeks to achieve three overarching and interrelated objectives. First is to develop and administer sound marketplace policies and programs. Second is to foster and

encourage a knowledge economy. Third is to support small, medium, and large business. Let me speak to each one of those.

In terms of the marketplace, it is important that all modern economies have sound, effective marketplace policies. People need to know what the rules are; people also need to know what the framework policies are. The department contributes in a number of ways to this. I'll give you a few examples. Within Industry Canada lies the Competition Bureau, which is very active in making the marketplace work. It is currently involved, for example, in reviewing the Maple Group's desire to acquire TMX. Recently it got involved in and sought to take remedial action against the Canadian Real Estate Association for anti-competitive rules that it thought the association was imposing on real estate agents. So the Competition Bureau is one framework policy program.

We also work with the Department of Canadian Heritage on a very important piece of legislation dealing with copyright. That's important framework legislation.

We also administer—and my colleague Simon is the lead on this—the Investment Canada Act to ensure that transactions which are subject to the act are of net benefit to the country.

Other offices within Industry Canada include the Canadian Intellectual Property Office, where we issue patents and trademarks; Measurement Canada; and Corporations Canada. So there is a whole series of small agencies whose purpose it is to make sure that marketplace programs and policies work to the benefit of Canadians, both consumers and businesses.

Second is the knowledge economy. In 2007 the government released its science and technology strategy on maximizing its investment in S and T for the benefit of all Canadians. The department is very directly involved in this, but also with partner organizations in the portfolio, which I'll speak about in a few minutes.

[Translation]

I'll give you a few examples of the initiatives that the department has taken to encourage and support the knowledge-based economy.

We managed the Knowledge Infrastructure Program. As part of the Economic Action Plan, within the department we spent \$2 billion, which resulted in further spending of \$3 billion for post-secondary institutions and the private sector. In total, \$5 billion was invested to increase the quality of the infrastructure in colleges, CEGEPs and universities across the country. Some 500 projects have been supported through this program.

We also launched the Canada Excellence Research Chairs Program. With a third party, we designated 19 recipients around the world and invited them to come to Canada. They were granted chairs worth \$10 million over seven years. I think that we found a fairly extraordinary class of individuals.

We have other programs, including the Centres of Excellence for Commercialization and Research. All of this is intended to support the knowledge-based economy.

[English]

Third is support for business. As I said, the department is involved in supporting small, medium, and large businesses. We work on a wide range of projects and initiatives. Obviously, the department was quite involved during the auto restructuring in working closely with the U.S. government, as well as with GM and Chrysler, to assist in their restructuring, which I think has turned out to be a good initiative.

We also work closely with the aerospace sector. We have a program that supports partnerships, which contributes to Canada punching above its weight in regard to civil aviation market share in international matters. This program has supported a number of initiatives across the country—Magellan in Winnipeg and Pratt & Whitney in Montreal—and I think it's an essential part of our tool kit to support the aerospace industry in order to always achieve higher degrees of productivity and innovation.

We also have programs in the department that support small-business financing, whereby we will insure some loans that are provided by financial institutions.

So that's it in a nutshell, and I say “in a nutshell” because I've appeared before some of you in the past to discuss certain specific programs, and this is a very brief overview of what the department does.

Let me briefly talk about some of the policy and legislative initiatives that we are working on presently.

On the digital economy strategy, including spectrum auctions, the department released last year a discussion paper about auctions pertaining to both the 700 megahertz and the 2,500 megahertz. The minister recently had further consultations. The assumption is that over the course of the next two or three months some fundamental orientation will be identified, so either later this year or early next year, some decisions around the spectrum should be made public.

Building the critical infrastructure is one of the major pillars of the digital economy strategy. Other pillars include enhancing skill sets and ensuring that there is a very solid statutory framework. I can refer in that respect to the spam bill that was passed. I can refer to the copyright bill, which will be, I believe, shortly reintroduced, and to our PIPEDA legislation. Those are important statutory pillars.

There's also another pillar that is related to improving ICT adoption. One of the key aspects that explains the difference in productivity between Canada and the United States is the lack of ICT adoption by small and medium-sized businesses. We are working with the Business Development Bank to enhance awareness among SMEs regarding the usefulness, from productivity and competitiveness perspectives, of higher ICT adoption.

Speaking of the BDC, we are also working on the BDC's legislative review. Every five to ten years, the BDC act must be reviewed, so we're in the process of looking at how well it has done over the last five to ten years and identifying possible enhancements to its legislative mandate to support more effectively Canadian SMEs and Canadian entrepreneurs.

The department is also working under Mr. Bernier's stewardship on a federal tourism strategy to bring together in a more focused manner the various elements that are in play at the federal level to support tourism.

Lastly, in terms of policy initiatives, I would note that the government asked Mr. Tom Jenkins, chairman of OpenText, to launch a panel on research and development last October. We expect him to be submitting his report in October of this year. This panel will focus on the expenditures of the federal government in support of R and D in order to make sure we have the right mix between tax expenditures and program expenditures.

● (1540)

Overall the government spends about \$7 billion in this area; \$3 billion or \$4 billion of that is for tax expenditures, and the rest for a series of programs.

In terms of legislative initiatives, I mentioned copyright and PIPEDA. They are two of our major initiatives in regard to our digital economy strategy. I believe these pieces of legislation will be reintroduced shortly.

Let me say a word on the Industry Canada portfolio. I would draw your attention to pages four and five. If you look at those two together, it will be more productive.

● (1545)

[Translation]

I would now like to speak about Industry Canada's portfolio.

First, with regard to the obligation to be accountable, all these agencies and corporations are headed by executives or presidents whose position is at a level equal to that of the deputy ministers, meaning that they do not work for me; they are part of the Industry Canada portfolio. As deputy ministers, Simon and I have some duty to supervise what they do and how they do it. If things are not going well, that clarifies our interventions a little. Still, these organizations are independent entities. I am sure that these people would be pleased to meet with you and tell you about their activities.

Please allow me to give you an overview of these institutions.

The National Research Council, which has been around for 90 or 100 years, is focusing on two interventions: the IRAP, a very useful program for supporting SMEs and launching new businesses, and institutes across the country that aim to increase the commercialization and the participation of the private sector in certain targeted sectors.

We have two granting councils: the Natural Sciences and Engineering Research Council and the Social Sciences and Humanities Research Council. They support fundamental research in universities. In the case of the Natural Sciences and Engineering Research Council, we are talking about approximately \$1.1 billion, and with the Social Sciences and Humanities Research Council, it's approximately \$700 million. A large part of this is recouped by the Indirect Costs Program. The grants they are awarded equal about \$300 million. As part of the Science and Technology Strategy, these are obviously important partners, given that they work with the universities and, increasingly, with colleges.

There is also the Canadian Space Agency, in Saint-Hubert, which aims to support space exploration and the space industry.

I spoke earlier about the Business Development Bank of Canada, in Montreal, which supports some 29,000 or 30,000 clients annually through loans. It played a significant role during the economic crisis by increasing the credit available to entrepreneurs to ensure that the money was circulating in the economy.

The portfolio also includes Statistics Canada, which has just completed the census and the National Household Survey. As you know, the census went well, and the participation rate was high at 98.1%, which is very good. I think that Statistics Canada will soon make public the results of the national survey.

There is also the Canadian Tourism Commission, located in Vancouver, and it promotes tourism.

[English]

I'll stop now.

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

Mr. Richard Dicerni: You gave me only one sign, right?

The Chair: Yes. That was just a little bit of...

Mr. Richard Dicerni: There, I've wrapped it up.

The Chair: Thank you very much, Mr. Dicerni, for the information. I know it will be very helpful to the members of the committee.

We'll go now to Mr. Braid for seven minutes.

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

Thank you very much, Mr. Dicerni, Mr. Kennedy, and Ms. Gillis for being here this afternoon. It's great to see you back.

I'd like to start by asking generally about an issue that's an important one for my region, the Waterloo region, my riding of Kitchener—Waterloo, and that's the issue of innovation. Could you begin by describing how Industry Canada helps to support and enhance innovation in Canada, and second, why that's so important?

Mr. Richard Dicerni: Let me start with the second part.

If you look at most OECD countries, the space allocated in our GDP for traditional manufacturing is gradually shrinking as people go to other countries, less costly countries, to manufacture products. So we have to go up the knowledge and manufacturing food chain. We have to focus on areas where we have tremendous value added. In order to have that, we need the people. We need people who have

university degrees, who have college degrees, who can contribute to the knowledge economy. Therefore we have constantly made investments in people at the research level and also in the form of scholarships at the graduate and post-graduate levels. We need to have people who will be there for the OpenTexts of the world, for the RIMs of the world, and for all of those other companies that operate in the Kitchener-Waterloo hub.

The department gets involved, I would say, through developing, refining, and implementing the science and technology strategy, which I think is a tremendous foundational document. We also, at the other end, work with the Science, Technology and Innovation Council that the government established, which every two years produces a "state of the nation" report that permits Canada to benchmark itself—not just the federal government, not just provincial governments, but all of Canada—to compare how we are doing. Are we improving? Are we slipping? Because the competition in most sectors is becoming much more challenging. So what we have to do is continue to bear down on that. We have our fundamental document and our strategy. We have a two-year report card made by a third party, the council. And within that we try to continue investing. So we invest in people, and we invest in innovation. Our strategic aerospace and defence initiative, which is a program we used to work in partnership with the aerospace sectors, is a fine example of partnership where x number of initiatives are put forward and there is joint risk-taking by the company and the government always with a view towards innovating, because out there, there are people competing with Canada and they are getting better, faster, and smarter.

Thank you.

• (1550)

Mr. Peter Braid: I'm going to segue now from the issue of innovation to the issue of productivity. Currently when we compare ourselves to the United States, we seem to be doing everything better—social policy, economic policy, economic fundamentals, employment, job creation, debt-to-deficit ratios—but we still lag in productivity when we compare ourselves to the U.S. Why is that? How can we improve that? And is improving productivity in Canada an important area of policy focus?

Mr. Richard Dicerni: I alluded briefly to that in terms of information and communication technology adoption. Our usage of computers by small and medium-sized companies is much lower than it is in similarly sized firms in the U.S. So that is why, within the digital economy strategy, we are putting so much emphasis on trying to enhance productivity to lead to more competitiveness. I think this is going to be even more important going forward as the demographics of this country change, as people get chronologically older. We cannot stop Father Time from moving every year, and we will have fewer people working. So we need to enhance our productivity if we wish to sustain our standard of living, if we wish to sustain the types of public goods that we have enjoyed. So competitiveness and productivity are very important. We look forward to the Jenkins panel to see if they can give us further insights as to how we can use the R and D dollar more effectively to achieve that goal.

Mr. Peter Braid: Thank you.

Changing gears a little bit, I have a question about the spectrum auction. Within the spectrum of megahertz bands, the 700 megahertz band has been described to me as being the equivalent of beachfront property. Could you explain why the 700 megahertz band is so valuable?

• (1555)

Mr. Richard Dicerni: The lower you are in the spectrum band, the more propagation you will be able to have.

Propagation has two dimensions. One, it will go further, so with one tower you will reach a greater distance. Secondly, it will permit you to have cellphone conversations if you're in the third basement of a garage. So it has propagation both horizontally and vertically, if you wish.

For a carrier, it means that their deployment will be less costly. Instead of having to build five towers and link them all, they can build one tower. It reduces both the cost and the community heartache associated with putting up towers.

The Chair: Thank you, Mr. Dicerni. You're almost exactly on time with that answer.

Mr. Peter Braid: I have many more questions—

The Chair: Yes, I understand that you probably do, Mr. Braid.

We'll move on to Mr. Julian, who I hope has some profound questions as well.

[Translation]

Mr. Peter Julian (Burnaby—New Westminster, NDP): I always do, Mr. Chair.

I would first like to go back to the Investment Canada Act, which is controversial. On a number of occasions, we have seen companies break their promises. In Hamilton, U.S. Steel recently locked out 900 employees. They will soon lose their EI benefits. The act doesn't work and it is very controversial.

I would like to know where we are at with the review of the act. We have been asking for it for a long time and I know the government promised to make changes.

Mr. Richard Dicerni: I am going to ask my colleague Mr. Kennedy to answer, since not only is he the associate deputy minister, but he is also the director of Investment Canada. So he is directly responsible for managing the act.

Mr. Simon Kennedy (Senior Associate Deputy Minister, Department of Industry): In terms of changes to the act, the Prime Minister and the former minister of industry said before the election that they were planning to address the issue.

If I'm not mistaken, your committee did a study, or there is an old study of the act. But the government is still responsible for deciding whether it needs to change the act or whether it needs to make some clarifications. So perhaps it would be better to ask the Minister of Industry about the government's intentions regarding the act.

[English]

Mr. Peter Julian: Merci.

I'd like to come back to research and development, because this summer, as you know, we had a report that showed Canada in last

place in terms of direct research and development among OECD countries, second to last in the production of patent development, and second to last in PhDs. It's an incredibly poor record, an appalling record.

So first off, I'm wondering what the reaction is within Industry Canada to what is a very, very poor record, particularly given the economic challenges we face, and what the response is. Perhaps changes in programs...?

Further to that, I'm looking at the business plan and wondering to what extent Industry Canada will be impacted by cutbacks. We've been hearing talk about cutbacks and layoffs right across government departments, so I'm wondering to what extent that is going to impact on science and technology, on research and development, on all those things where we're doing very, very poorly and are in last place or second to last place. To what extent do you feel the government may be slashing even more what has been a failed policy and is very clearly something that needs to be bolstered and strengthened?

Mr. Richard Dicerni: Well, one, I think we should compare notes about source documents, because my reading of the *State of the Nation* report that a third party—the science council—put out did not paint that gloomy a picture. For example, Canada punches above its weight in regard to citations per capita, which is a major indicator of the quality of research and the number of researchers. In regard to the number of people we support through the various training councils, I think that again is above average.

Where we are weak and where we are in the bottom quartile is in regard to the business investment in R and D. The public sector investment—that would be through government and through universities—in R and D is top quartile; I think we're first or second. As it relates to business investment, we are very, very poor. That is why the government tasked the Jenkins panel to look specifically at why it is that with a great tax credit and with great programs there's not enough business investment in R and D.

On your second point—

• (1600)

Mr. Peter Julian: Thank you for your comments.

What we've seen, as you know, is that business investment is sinking like a stone. But when you take out colleges and universities and you look at direct public investment by governments, it's falling considerably through the federal government, although we've seen provincial governments picking up a bit of the slack. You know the figures as well as I do.

On direct public investment from governments on research and development, we are in a very poor position. We are in last place. When you take in indirect, you're absolutely right...but that program hasn't worked, obviously, because business investment is falling significantly. There's the concern. Even on the indirect investment, which has been the government strategy, there's very clearly a failure. Business has not taken up the slack. They've taken the money and run.

So that's my question back to you: how do you revise? Is Industry Canada looking at revising what's clearly a failed policy, or do you feel you'd just like to keep going the way we are?

Mr. Richard Dicerni: We really should compare notes about data points, because year after year there's been more money put into granting councils. What has decreased over the last two years is our expenditures coming out of the economic action plan. As I testified in front of the public accounts committee and many other committees, this was time-limited. Indeed, our expenditures on that front have decreased. But with granting councils, if you look year over year over year, there has been more money put in.

In regard to failed policy, you will understand why I would beg to differ. I think we are on the right track. But there is this delta, and on this we do agree, in terms of the business investment. We even commissioned the Council of Canadian Academies—they did a great piece, and I would commend it to you—to try to understand why is it that, given all those possible and positive things, business is not investing? Some argued that it was because the cheap dollar permitted some to get away and keep making profits—you had the cheap dollar and you could sell—and it made acquisition machinery equipment more expensive.

Mr. Peter Julian: Sorry to interrupt you, but I just want to get back to the cutbacks and layoffs, particularly when we talk about research and development—although I'd love to keep debating with my colleagues across the way on the research and development strategy overall.

Do you foresee cutbacks and layoffs in the research and development arm of Industry Canada or elsewhere?

Mr. Richard Dicerni: The government in its budget indicated that it was seeking to reduce expenditures on the order of magnitude of about \$4 billion, and has asked all departments—the Department of Industry is not excluded from that list—and all agencies to identify options of 5% and 10% in expenditure reductions.

The Chair: Mr. Dicerni, we were actually in overtime when Mr. Julian finished his question, but I wanted to give you an opportunity to give at least a modicum of an answer on that. The NDP can return to that next round if they'd like to get a more fulsome answer from you.

Now it's over to Mr. McColeman for seven minutes.

Mr. Phil McColeman (Brant, CPC): Thank you, Mr. Chair.

Thank you for taking the time to come to us and get us up to speed. Some of us are new on the committee. I really appreciate the three of you being here.

My first questions are relating to small business and entrepreneurs. As you know, it's popularly thrown out there that small business and entrepreneurs create about 80% of the employment in the country. That's a figure that's often referenced.

You mentioned in your opening comments, Mr. Dicerni, about insuring loans for small businesses. Is there anything beyond that? In the case of a lot of small entrepreneurs and small business people, they have limited time and, frankly, sometimes limited skill sets or resources to be able to access government programs. What does the department do to assist this key sector in our economy other than insuring small loans?

• (1605)

Mr. Richard Dicerni: The first thing I would mention is that Mr. Bernier as minister heads a commission the government set up to address the issue of red tape, which is the culprit in regard to small businesses. I have quite a few friends who are small-business people who look at the mammoth bureaucracy and ask, "How do I get through all of this?" I worked with Mr. Bernier when he was Minister of Industry, and I know of no other minister who could bring the degree of passion that he has to this endeavour, and I know he's quite committed to cutting through the paper burden or the red tape to indeed facilitate the activities and the work of SMEs.

Secondly, IRAP, the industrial research assistance program, which is run out of the NRC, is very user-friendly and it has been extraordinarily beneficial to small business. I've been in my job for five and a half years, and it's probably the only program that nobody has ever criticized. I don't know what their magic is. I don't know what these people drink in the morning. And every time I've come to a committee, members from all parties have supported IRAP.

[Translation]

The name of the program in French is *PARI*.

[English]

During the economic action plan, the government invested additional resources, which I think were well used. And we are working with the NRC to see, in terms of our digital economy, how we can again enhance the usage of that program for ICT adoption.

The third thing I would mention is the forthcoming legislative review of the BDC, the Business Development Bank of Canada. The BDC is the Government of Canada's primary instrument in regard to providing capital to SMEs. This is not to say that there's a section 15 constitutional right for every small-business person to get a loan from the BDC, but I think BDC does take that extra step of going higher up the risk curve to provide capital where it's needed.

Lastly, the BDC has a really solid venture capital arm to support that entrepreneur who has a great idea but is having trouble finding traditional financing. If banks won't talk to him and if even by BDC standards it's too risky, there is venture capital, which I think is making a difference.

Mr. Phil McColeman: Switching gears to post-secondary and the supports that a lot of institutions receive through the economic action plan, I believe you mentioned that we rolled out \$5 billion of infrastructure funding. Would that be the knowledge infrastructure program, KIP?

In the last Parliament I was part of the Conservative post-secondary education caucus. We met with a lot of presidents and a lot of people involved at the leadership level in post-secondary education, at universities, at community colleges, at polytechnics. I think this federal involvement in post-secondary was precedent-setting, and they expressed to us how there is an ongoing need to play a part in the advancement, not only with regard to research chairs, as we have done, but also in terms of the bricks and mortar and infrastructure parts of universities.

I know we closed down the KIP funding because it was time-limited, but going forward do you see that the department would take a look at maybe not so much the allocation of new dollars but perhaps some reallocation of existing resources to meet some of these ongoing needs of our post-secondary institutions?

Mr. Richard Dicerni: I was Deputy Minister of Education for a period of my life in Ontario, so I have a certain understanding of the ongoing capital needs that post-secondary education institutions have—and they are ongoing.

With regard to our involvement, the Minister of Finance and the Prime Minister were quite clear that it was time-limited in the context of a specific economic crisis. And I believe it will go down as being one of the most successful investments partially because of the tremendous cooperation that existed between the federal government and provincial governments and the institutions. Everybody stepped up. Everybody met the deadlines they had to meet, and the money will all be spent and I think well accounted for. I think we will look back over that period of time as being the period of infrastructure renaissance across the country.

In terms of the future, the next time you bump into the Minister of Finance, why don't you pop that question to him?

•(1610)

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

Mr. McColeman, that was almost exactly on time.

Now it's over to the Liberal Party and Mr. Hsu, seven minutes.

Mr. Ted Hsu (Kingston and the Islands, Lib.): Thanks.

Thanks for giving me the chance to listen to you today.

I'll start out with a couple of really quick questions. You mentioned a discussion paper on the spectrum auction. Can I go online and find it?

Mr. Richard Dicerni: It's on our website. You'll find both the discussion paper and the comments that have been made by the various participants.

Mr. Ted Hsu: Good. Thanks.

Secondly, where on the pie chart is the budget for FedNor?

Mr. Richard Dicerni: It's in Industry Canada—

Mr. Ted Hsu: Does it fall under the grants and contributions piece of the pie?

Mr. Richard Dicerni: I guess so.

Right?

Ms. Kelly Gillis (Chief Financial Officer, Comptrollership and Administration Sector, Department of Industry): Yes. There would be a portion for FedNor under grants and contributions, and also for the running of FedNor within the operating budget of the department.

Mr. Richard Dicerni: There's about \$40 million in grants and contributions in FedNor per year.

Mr. Ted Hsu: Okay.

This is a longer question. I wanted to ask about your strategy for getting small business, SMEs, to adopt computers. I have worked in a number of situations where computers have transformed businesses. In my experience, it's always been that there's a person who understands business and a person who loves technology and loves to learn and adopt the technology. The transformation happens when that is the same person.

I'm wondering what your strategy is and whether there's some... whether I'll look at the strategy and say "Oh yes, I recognize that, because I've seen it before."

Mr. Richard Dicerni: What I encourage you to do is talk to people at the BDC; I can hook you up for that. What we are trying to do with the BDC...and the president has given speeches on this.

First, they're improving their management consultancy capacity in regard to ICT adoption by SMEs. You have to start by having somebody who can help you connect those two things. They are dramatically increasing their capacity to give consulting advice.

Secondly, they are doing a training program for their loans officers so that the officer will be able to encourage entrepreneurs—because it's a loan, not a grant or a contribution. They have to be convinced that this would be helpful to their growth, that this would be helpful to their business. In order to do that, the loans officer has to understand what is available and how to sell it, if you wish, as part of a loan package. There's marketing, there's enhancing the supply chain, and all the things that small businesses have to go through. What we're trying to do is inculcate the fact that there is another dimension: ICT.

Thirdly, we have a federal-provincial process going, because provinces do have tools and levers also. We are pooling our knowledge, pooling our programs and resources, including at the BDC, with provincial governments to come out with something that would be available to SMEs and to say, in regard to the ICT adoption, this is what the federal government can do and this is what provinces can do.

Lastly, as I mentioned, we are trying to get the IRAP folks to focus on this even more.

•(1615)

Mr. Ted Hsu: My last question is about the existence of FedNor as a program and not as an agency. What would the costs be, or what would the difference be in operating costs, if it were a separate agency as compared with a program inside Industry Canada? Compared with what we have in FedNor right now, would it be a lot more expensive to operate as a separate agency?

Mr. Richard Dicerni: Yes.

Mr. Ted Hsu: How much more?

Mr. Richard Dicerni: Much more.

Mr. Ted Hsu: Perhaps 10%?

Mr. Richard Dicerni: Well, I can't give you a number. You'd have all the overhead.

Mr. Ted Hsu: Can you—

Mr. Richard Dicerni: We look after FedNor in terms of finance, HR. When you have a department such as Industry Canada, you are provided with much more overhead support that doesn't have to be carried out by an independent agency.

The person you should ask about this—he has been asked once or twice about this, or maybe ten or twenty times—is Minister Clement. He has spoken about this and is quite knowledgeable on the subject matter.

Mr. Ted Hsu: That's all I have.

The Chair: Thank you very much.

Now we'll move on to our second round for five minutes.

Mr. Richardson.

Mr. Lee Richardson (Calgary Centre, CPC): Thank you, Mr. Chairman.

Thank you for coming. I must say that I've been very impressed with the department over the years, particularly in latter years. I wish I had a critical question to ask you, but I don't.

I was interested in a lot of the praise for support from Industry, but occasionally I hear from venture capitalists about intervention, about perhaps having to compete when the markets are good and there's a lot of money available with BDC. Maybe you could give me a very brief comment on that. I have one more small question after that.

Mr. Richard Dicerni: We get it from both sides—

Mr. Lee Richardson: I'm sure you do.

Mr. Richard Dicerni: —and we are aware of some people who feel that BDC unfairly competes in venture capital. On the other side, we hear especially major funds say, “Thank goodness BDC is there to invest funds in funds, because if they weren't there to make that additional contribution, we'd be short.”

Going forward, I think there is a need to truly look at how to expand those funds. We have had a decrease overall in this country of the availability of venture capital funds. If you look at where the money comes from right now, you'll see that it fundamentally comes from governments. The provincial government in Quebec is quite involved, as they are in Ontario and B.C.

At a certain point it's not right for the state to be taking all the market risks. There has to be a way to get more private capital. I was quite pleased to note that OMERS has established a venture capital division. They haven't allocated a tremendous amount of money to it, but it's a start, and I'll be interested to see if some of the other major pension funds seek to emulate that. Obviously, at the end of the day there has to be a return. Some of the returns on venture capital have not been great in this country, so one has to look at that.

This is one of the areas in the context of the Jenkins panel report that the government has asked them to look at. Because if you're looking at innovation, well, capital formation at the front end has to be analyzed, and we have to determine if there's a better way of doing it. That's one of the chapters in the Jenkins panel report that I'm looking forward to reading.

Mr. Lee Richardson: I think I'm close to the end of my time, so I won't ask you to give me an answer. I was just going to say that I think you will have a very difficult time finding 5% or 10% in cuts in the department this year to reach the government goal. I wish you well with that. I wish you didn't have to do it.

•(1620)

Mr. Richard Dicerni: I'll pass that on.

Voices: Oh, oh!

The Chair: If you want to respond to that, you have a bit more time, Mr. Dicerni.

Mr. Richard Dicerni: It could be career-limiting if I went too far.

Voices: Oh, oh!

The Chair: I understand. Thank you very much.

Mr. Thibeault for five minutes.

Mr. Glenn Thibeault (Sudbury, NDP): Thank you, Mr. Chair.

Thank you for being here today.

I'm going to focus my questions more on Industry Canada's Office of Consumer Affairs. To start off, could you provide us with any updates on recent initiatives that the office has been working on?

Mr. Richard Dicerni: The consumer affairs branch works in cooperation with a number of other departments within Industry Canada. For example, when we did our advanced wireless services auction, the goal was to help consumers. By allocating AWS spectrum to new market entrants, the goal was to help lower prices, to have a more competitive market.

For example, the work of the Competition Bureau in regard to the steps they take also has a consumer perspective. In terms of the consumer affairs branch specifically, it does support a number of NGOs that in turn contribute to public policy debate. So while there is a branch called “consumer affairs”, which does provide support, as I've said, to a number of NGOs, helping the consumer is not a monopolistic domain of that branch.

Mr. Glenn Thibeault: It seems too that Health Canada is involved in the realm of consumer protection, as is the finance department, when you're looking at credit card interest rates and many of those things. So maybe you can explain the way, then, that the Office of Consumer Affairs coordinates with Health Canada and the Ministry of Finance to tackle some of these issues.

Mr. Richard Dicerni: Again, the Office of Consumer Affairs—and perhaps my colleague Simon can add to this—does not have an overall government-wide coordinating mandate or responsibility. It is indeed, as you pointed out, also within the mandate and the purview of a number of other ministers. We focus on a certain part of it but do not claim to represent and coordinate all consumer-related interventions in the Government of Canada.

Mr. Simon Kennedy: As Richard said, there are some clear swim lanes that the department stays within, because we know there are other ministries that have responsibilities. A really good example would be something like issues surrounding credit cards. That's clearly under the Bank Act. That's clearly the Ministry of Finance.

In that respect, it's not a lot different from the way we administer framework policy. Industry Canada has broad responsibility for framework policies, but if you get into issues like culture, then the framework policy is managed by the heritage ministry. If you get into things like finance, that's clearly under the Bank Act, and it's clearly the finance ministry.

That analogy works well on the consumer affairs side too. We have broad interests in consumer issues. We subsidize, provide some funding to consumer groups across the country, but specific issues may well fall within the purview of a different ministry.

Mr. Glenn Thibeault: To follow up on your point, you mentioned credit cards, and of course the interest side of it for consumers was under the finance department. However, in the last Parliament we had a study on interchange and the interchange rates, and that fell to the industry department. There are many examples we could cite of how we have all of this consumer protection happening out there but there's no way for the consumer to actually go to a website and find information about toxic toys. They'd have to figure out that was under Health Canada.

If you're looking at what other places, such as the United States and Australia, are doing—and we can rhyme off what the other countries are doing—they have specific consumer protection policy all kind of under one roof.

I'd like your opinion. Is this something the Office of Consumer Affairs would be interested in taking on down the road?

•(1625)

Mr. Richard Dicerni: You raise a good point in regard to information, given technologies such as the web, and what one can do to provide Canadians with the information they need. The flip side is that there's so much out there that it would require a lot of time and effort just to try to keep up to date with what is happening in this wide space called the Government of Canada.

Let me take under consideration what could be done to look at consumer awareness outreach.

The Chair: Thank you, Mr. Dicerni.

Mr. Thibeault's alarm went off at almost precisely five minutes, but I—

Mr. Glenn Thibeault: I wanted to make sure I was sticking to my five minutes.

The Chair: I do allow the witnesses a little bit more leeway than the members in order to be fulsome—

Mr. Glenn Thibeault: I'll just remember to hit “mute” next time.

The Chair: It's okay. We have a good handle on the clock right here.

Mr. Lake, go ahead for five minutes.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): I hope Mr. Thibeault is timing me as well. I'll try to stop when I hear the beeps.

I want to start by thanking you for taking the time to come here. I think this is an important way for us as a committee getting going to get an overview of the things that are going on. I want to focus, at least in this round, on the things that are upcoming, things that we can maybe expect as a committee to be dealing with over the coming months.

First of all, obviously copyright is coming up fairly quickly. Could you give us a little bit of background? I believe this has been in the making for several years. There have been several incarnations of the copyright bill. Why is it so important to get this bill passed?

Mr. Richard Dicerni: Well, I think Canada is a laggard in regard to not having updated its copyright laws. There have been a number of attempts to introduce and pass copyright legislation. It is one of those fundamental framework policies that every modern country needs to have. Technology has evolved a great deal over the last 15 years and I think it's important that our legislation be updated to reflect these changes.

People who create material have a right to know what the rules are. Secondly, consumers, the users, also need to know what the rules are so they don't do something that lands them in front of a court with potentially hefty fines.

As for the bill that had been produced before, it was the view of the government that it represented a fair balance between producers and users. We look forward to the parliamentary committee resuming discussion and debate on the bill and to seeing what technical amendments are warranted to further improve the bill.

Mr. Mike Lake: The Jenkins report has been mentioned several times, that expert panel on R and D. Maybe you could give us a bit of background. I believe the report will be out soon, but maybe you could give us some background into what the mandate was of the group looking at these issues and why it's so important.

Mr. Richard Dicerni: The Government of Canada and taxpayers spend about \$7 billion a year to support R and D. About half of that comes through a tax expenditure that is out of the Department of Finance—the SR and ED tax credit—while the other \$3 billion is in a series of programs, including the strategic aerospace and defence initiative, for example, and some of the initiatives in your granting councils.

There's an overall objective the government is seeking. If we have this very rich tax credit and we have all these programs to support private sector R and D, how come we are in the bottom quartile in regard to private sector investment in R and D? The government appears to be doing its part by putting on the table the partnership opportunities. Why is the other side not coming to the table? What is it about our \$7 billion that we could do differently, that we could do better, and that would lead to more private sector R and D?

How can we, the government, do better within that same fiscal envelope so that it will yield more investment? We need that innovation investment if we are to sustain competitiveness.

• (1630)

Mr. Mike Lake: I'd like a bit more detail on the panel. How was the panel struck? Who's on the panel? Obviously Jenkins would be on the panel because it's called the Jenkins panel, or we refer to it that way—

Mr. Richard Dicerni: Yes, that's a good assumption.

Mr. Mike Lake: Who else would be on that panel?

Mr. Richard Dicerni: There are five other individuals. As for what the government sought to do, it wasn't necessarily about the individuals; it was to seek a diversity of representations. That would mean somebody from the university milieu, somebody from the polytechnics and colleges, somebody from financial institutions, somebody from academia who understands tax, somebody who works in partnerships, and Jenkins, who is chairman of a high-tech firm, OpenText, in—

The Chair: I gave you some extra time to finish. I think we have a good idea of it.

Mr. Richard Dicerni: Okay.

The Chair: I'm sorry to cut you off, sir.

Mr. Peter Braid: He was going to say “in Waterloo”—

Voices: Oh, oh!

The Chair: In Waterloo? Yes, okay.

Madame LeBlanc for *cinq minutes*.

[*Translation*]

Ms. Hélène LeBlanc (LaSalle—Émard, NDP): Good afternoon. Thank you for being here to shed some light for us.

You mentioned something of great importance: research and development in small and medium-sized enterprises. People from Industry Canada will often provide guidance to small and medium-sized businesses, and will help them to use those resources. It seems that a number of small and medium-sized businesses are either not aware of those types of programs and tax credits or they do not use them because of the costs involved.

There will be cuts in your department. As a result, this type of Industry Canada service, which plays a major role in encouraging innovation and productivity in Canada, is likely to be eliminated, given that the results are not convincing.

Mr. Richard Dicerni: First of all, the cabinet has made no decision on budget cuts. So whatever we say is speculation.

The IRAP program under the National Research Council of Canada is working very well. The program has proved to be very useful in the past.

I am sure that the ministers will look at those types of considerations when the time comes to make decisions.

Ms. Hélène LeBlanc: Okay.

We are talking about applied industrial research and development, but Industry Canada also deals with long-term research, meaning pure research. What impact will the upcoming cuts have on long-term research, which sometimes yields results only after a number of years?

I am especially concerned about keeping expertise within departments. Sometimes, with short-term objectives or results, it is possible to let this type of expertise go because it only gives results in the long term. Pure research is not necessarily linked to the industry, but it is very useful to knowledge in general.

Mr. Richard Dicerni: As I said, no decision has been made. The ministers have not decided what the cuts will be in our department or in any other department for that matter. That is still to come.

That being said, I feel that the government is aware of how important the knowledge economy is. I am basing this on the various comments Minister Goodyear has made in a number of speeches as to the importance of supporting research.

The academic research we support through granting councils is essentially medium and long-term research. It is not applied research like the research conducted at Pratt & Whitney, where the goal is, for example, to improve the efficiency of an engine so that it uses less fuel. The research we are funding in universities is medium and long-term. Minister Goodyear has stressed the importance of this type of research on a number of occasions.

As for the cuts, when the time comes to make some difficult decisions, the ministers will have to do so, but there has been no decision so far.

• (1635)

Ms. Hélène LeBlanc: Although I don't like to use the expression “green technology”, could you tell me what is happening with programs for industries that are seeking to develop cutting-edge technologies in order to protect the environment?

Mr. Richard Dicerni: I am going to give you a quick answer: support for that comes from a crown corporation and Environment Canada programs.

[*English*]

The Chair: Thank you, Mr. Dicerni. That was a fast answer. Very good.

Ms. Hélène LeBlanc: But it was a fast question too, wasn't it?

Voices: Oh, oh!

The Chair: *Oui, madame, très bien.*

Now on to Madam Gallant for five minutes.

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): First of all, I'd like to ask the witnesses if they could soon provide us with an organizational chart of Industry Canada. In the absence of an organizational chart, I'm going to try to follow the dollar here.

In terms of the statutory votes and EBP, what sorts of programs or what would be allocated to this? You have \$0.2 billion here. What is that \$0.2 billion specifically spent on, if we look at the budget overview?

Mr. Richard Dicerni: Are you looking at the pie chart?

Mrs. Cheryl Gallant: Yes, the budget overview.

Ms. Kelly Gillis: The statutory vote of \$0.2 billion would be for the employee benefits plan, equivalent to 18% of salaries, but it also includes a few other votes that are included in our main estimates. The small-business financing program the deputy mentioned previously is considered a statutory program, meaning that we get our authority through legislation to make those payments versus it being voted annually as an appropriation.

If you go into the main estimates, they're all listed one by one, line by line, on page 204.

Mrs. Cheryl Gallant: Going back to the pie chart again and looking at the National Research Council of Canada, could you tell me if its labs are spread out across the country?

Mr. Richard Dicerni: Yes.

Mrs. Cheryl Gallant: Do the estimates break down the allocation assigned to each laboratory?

Mr. Richard Dicerni: I could check, or you could ask the NRC or we could send it to you. They have about 15 or 16 institutes. Some are based in Ottawa. For instance, its astronomy institute is here and so is its institute dealing with metrology. They have an aerospace institute based in Montreal. They have one dealing with grains based in Saskatoon.

So these are spread across the country. They are somewhat tied; there is one cluster associated with aluminum in the Saguenay region.

So yes, they do have institutes across the country.

Mrs. Cheryl Gallant: How does the NRC administer these? Is there a person assigned or seconded from the NRC to each of these institutions?

Mr. Richard Dicerni: That is basically the bulk of what the NRC does. It is the major *raison d'être* over and above the IRAP program. The NRC fundamentally does two things: it runs these institutes seeking to enhance the connection between the private sector and themselves, and runs the IRAP program. That is the National Research Council's remit.

Mrs. Cheryl Gallant: Do these institutes take in revenue from business in order to function?

Mr. Richard Dicerni: It varies. The aerospace one, for example, gets a lot of contracts from a variety of aerospace companies that want to test things out using its laboratories.

With other institutes, such as the one dealing with metrology—which is how to count—there's not a lot of private sector interest in that. So it's mostly funded through tax dollars.

So it depends on how close they are to the marketplace with regard to the nature of these institutes.

There's a new president at the National Research Council, John McDougall, who took over about 18 months ago. He is taking another look at how these institutes actually work and how they interface with the private sector, and how much money they are indeed able to get for their activities from clients in the private sector.

• (1640)

Mrs. Cheryl Gallant: If a minister, or the Prime Minister for that matter, had a question on a specific area of science, how would you go about finding the person who could answer his very technical and specific question?

Mr. Richard Dicerni: I would ask what the nature of the specific technical question was. The NRC does have a wealth of knowledge in 17 specific areas, but it doesn't cover everything.

The Government of Canada's granting councils fund 2,000 Canada research chairs in a wide area. Perhaps in response to the specific question in mind, we could say there's a researcher at the University of Alberta who is researching something pertaining to oil sands.

The Chair: Mr. Dicerni, I'm sorry, but time has run out again. It's always our enemy here at the committee, as it is with every committee.

Now on to Mr. Brahmi for five minutes.

[*Translation*]

Mr. Tarik Brahmi (Saint-Jean, NDP): Thank you, Mr. Chair.

I would like to turn to the deputy minister and go back to the questions raised by my colleague Mr. Thibeault.

My understanding is that there is currently no specific consumer protection structure at Industry Canada. Neither does it seem that there is a plan to develop such a structure in the future.

Could you tell me if there has ever been a structure like that in the past? During previous governments, is it possible that there was a structure that disappeared with the restructuring? Has there ever been a framework?

Mr. Richard Dicerni: There is actually a person in charge. It is the director general of the Office of Consumer Affairs. He has been in that position for at least five and a half years. I have been a deputy minister for five years and a half and he has since been in the same position.

In the 60s and the 70s, there was a Department of Consumer and Corporate Affairs. The department was reworked in 1993 during the government reorganization, I believe. It was merged with three or four departments to create the Department of Industry as we know it today.

Mr. Tarik Brahmi: In your view, have services been lost? Have consumer protection services been lost?

Mr. Richard Dicerni: As I have already told you, there have been no changes in the past five and a half years. So there have been no losses and no gains. We still have what we used to have.

Mr. Tarik Brahma: Okay.

I would also like to talk about cell phone towers. We know that the role of the Government of Canada is to protect the health of Canadians. I understand that Industry Canada has invalidated some of the decisions made by municipal councils in the past. I have the Charlottetown example before me from Health Canada.

Does Industry Canada have a permanent structure that works closely with Health Canada? For example, is there a joint working group that looks at health issues as part of Industry Canada's actions.

• (1645)

Mr. Richard Dicerni: Yes, the group in charge of the spectrum and Health Canada consult each other rather frequently about the towers. The responsibility falls on Health Canada first. The department has to define the standards and Industry Canada makes sure those standards are implemented.

So yes, communication does take place. I am not sure if there is a permanent group of officials who get together every week, but I know that they communicate quite frequently. The question has been raised on a number of occasions previously. Over the past few years, Health Canada has reviewed its standards and Industry Canada has made adjustments accordingly. Fundamentally, Health Canada has the responsibility first.

Mr. Tarik Brahma: Thank you.

Does the Minister of Industry have other sources of information? He could maybe see if other industrialized countries faced with the same problem have specific norms for their industry departments.

Mr. Richard Dicerni: In terms of setting standards for the antenna towers, we leave that up to the Department of Health, since it has an expertise that we don't have.

[English]

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

It's 4:48 right now and we're ending the second round with Mr. Lake. The third round will begin with another Conservative question.

Our guests need to leave at five o'clock, so I'm just wondering, Mr. Lake, if we could go to the witnesses' concluding remarks once you finish your round—

Mr. Mike Lake: Yes, I could do that.

The Chair: —because it would be the government members who would have to suspend their questioning.

Mr. Mike Lake: Yes, that's fair.

The Chair: Then go ahead. I'm just giving you some warning. If you want to make some closing comments, you can.

Mr. Mike Lake: I'm just going to continue the line of questioning I was on in regard to the issues that will be before this committee and before the Parliament over the coming months, probably.

There's a lot of talk about the digital economy strategy and the five pillars of the digital economy strategy. Could you go into detail on the five pillars so we could understand the strategy a little better?

Mr. Richard Dicerni: First is infrastructure. We have to make sure the pipe is there. We've got to make sure people are able to communicate. So the spectrum auction will go a long way towards permitting carriers to acquire spectrum and then build out to reach more effectively. I think the AWS auction was successful. If you look at the deployment that's taking place in Quebec, Vidéotron is spending a ton of money to go head to head with Rogers, Bell, and Telus, and we're seeing meaningful competition. Related to that is the broadband initiative the government undertook.

So infrastructure is one. Second is having a solid legislative framework. It's copyright, privacy legislation, spam.... Those things are important to ensure that in a digital world individuals know what their rights are and can feel secure in transacting on a commercial basis over the Internet.

Third is the ICT adoption. We've got to become more ICT-literate across the country. So we're working with BDC, we're working with IRAP, we're working with the provinces to become more ICT-literate.

Fourth, we need an ICT sector. Canada has great universities that produce great engineers, great technicians, great colleges. We have to keep priming that pump. There was a decrease after the bubble burst in 2000 in terms of kids taking up computer studies in universities and colleges. We're working with the provinces to see what we can do to ensure that we have a tech-savvy workplace, because if you want to have a great sector, if you want to have a growing ICT sector, it's going to grow through people who will come up with the great ideas.

So we need to be technologically savvy, which is my last point. We can do this through EDC. EDC supports many of the companies that make products here and sell them abroad. EDC is a big player there. As I said, by combining the enhancement of the workforce with the sector, the sector will grow if there are qualified people. So we have to work with the provinces to ensure that people going through colleges and universities understand the importance and the growth opportunities of the ICT sector.

So those are the five. And I would say that the digital strategy is in some ways evergreen, because we keep unveiling different *tranches*. When the government introduces copyright and PIPEDA legislation, it will be another element, if you wish, of the digital strategy being unfolded.

• (1650)

Mr. Mike Lake: Thank you. I'd like to go further on that, but I think I want to use the last little bit of my time to clarify the R and D question.

It seemed that you and Mr. Julian were on different pages in terms of Canada's funding for research over the years. I know what it feels like to be on a different page from Mr. Julian. We from time to time are on different pages as well.

Can you clarify Canada's funding levels for research and development and our role in funding over the past several years? And as you're answering that, could you touch on the successes of the knowledge infrastructure program? I know that was an important program for several stakeholders.

Mr. Richard Dicerni: I'd love to see Mr. Julian after, to see his numbers, because if you take a look at this pie chart and look at the one that was done in 2007-2008, there's more money being spent in those various granting councils than there was four years ago. So there has to be more support given. If I'm wrong, I'll apologize, but I'd like to see the data.

In terms of KIP, the knowledge infrastructure program, it's really a success story in terms of public administration, federal-provincial relations, and with regard to improving the fundamental infrastructure that our post-secondary institutions need to have if they are to welcome and attract top-notch academic leaders.

The Chair: Thank you, Mr. Dicerni.

Thank you, Mr. Lake.

By the way, in case members are wondering, we're in these rooms where we have two different times on the clocks, so I'm using our BlackBerrys as clocks. We generally all have parliamentary BlackBerrys. We're at 4:53 right now, and I will just give an opportunity to Mr. Dicerni to give some closing comments and then we can get you on your way in a timely fashion.

Mr. Richard Dicerni: My only general comment is that last year my colleagues and I appeared eleven times in front of parliamentary committees, including obviously the industry committee. We went to public accounts; we went to heritage; we went to a variety of committees. We fully understand that appearing in front of parliamentary committees is an increasingly important part of our job. So I would say that if you have any individual questions that flow from the testimony we've given today, please don't hesitate to ask. Send us a note, and we'll provide you with additional information. We can do that directly or through the clerk if it's a committee request.

The sessions that we as officials have when we appear before committees are not always enjoyable. I would like to leave you, though, with a couple of thoughts. We do our very best under at times difficult circumstances, and we value the civility of the dialogue, the exchange, because there are a lot of people who work really hard to make this whole thing work. We'll show up whenever you ask us.

A number of my colleagues, deputy ministers, ask, "What are you doing? What bill are you testifying on? The estimates aren't right?" And I say "No, the government and the committee have asked us to come and discuss Industry Canada's portfolio".

We will share whatever information we can, because doing so will provide for much better exchanges over the course of the next four years. So we will gladly do what we can so we can have the same level of knowledge, because having that will lead to better exchanges over the course of the next 48 months.

● (1655)

The Chair: Thank you, Mr. Dicerni. I will be absolutely happy to be a catalyst of encouragement to maintain our reputation as a committee of civility. I thank you very much for your comments.

Before you go, I would like to mention that Madam Gallant has made a request regarding an organizational chart, so please take that as a directive from the committee to send that through to the clerk and then we'll distribute it to all the members.

Thank you very much for your testimony.

Members of the committee, before you go, we've received witness lists from the Conservative Party and the NDP. We have not received any witness list from the Liberal Party. Could you provide that in a timely fashion? It gets very difficult to invite people when they have to travel quite a distance and we only give them a few hours' notice. If you have some, get them over to the clerk right away, and we'll deal with the lists and start to invite witnesses for next week.

On that note, thank you very much, members and witnesses.

The meeting is adjourned.

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