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Chair

Mr. David Sweet

Standing Committee on Industry, Science and Technology

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• (0900)

[Translation]

The Acting Chair (Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC)): Good morning.

[English]

Good morning, ladies and gentlemen. Welcome to the 31st meeting of the Standing Committee on Industry, Science and Technology.

Today I feel a bit like the Speaker of the House, saying that we're going to see the clock as of a couple of days before, considering the supplementary estimates have been passed, but we're here in that regard.

We have with us the Honourable James Moore. He will be presenting, and then we'll go to our regular round of questions.

You did see it correctly. It was 9 a.m., to facilitate the minister's schedule, so we have only an hour and forty-five minutes. I'll do the math in that regard as far as our rounds of questions go. The minister will be with us for one hour, and then the officials will stay with us for the remaining 45 minutes.

Minister Moore, please proceed with your opening remarks.

Hon. James Moore (Minister of Industry): Thank you, Mr. Chairman, and colleagues.

Merry Christmas. It's great to be here.

I know that I'm here on main estimates but I know this is a time at the end of the fall session where a lot of topics are obviously open for discussion. I'm here to talk about the issues that are of curiosity to you. With that in mind, I'm going to talk about a number of things in my opening remarks and then, of course, I'll pass it on to you for questions.

My deputy minister John Knuble is here with me, along with assistant deputy ministers Kelly Gillis, Mitch Davies, and Phil Jennings.

When I last appeared before this committee, as you know, I spoke about our government's plan for the digital economy, our future in space, and our commitment to creating jobs and opportunities for Canadians.

[Translation]

Today I am pleased to speak to you about the important work that our government has been doing since then to deliver on our top priority of creating jobs and economic growth for Canadian families.

[English]

Of course, the growing economy means having a clear, measured plan for the digital economy. Canadians live in an increasingly digital world where access to high-speed Internet means access to e-commerce, video streaming, employment, distance education, and health services. The lack of high-speed Internet denies rural Canadians the same opportunities that most of us have come to expect in our daily lives.

That's why this past summer I launched the connecting Canadians program. Under this program we will connect 280,000 Canadian homes in rural and remote regions with high-speed Internet access.

[Translation]

Access to high-speed Internet will open opportunities for the North and remote regions of the country. We often need to remind ourselves that Canada is the second-largest country in the world in size, but 37th largest in terms of population.

[English]

To be able to provide high-speed Internet access and connect 98% of all Canadian households in a country that is as large as Canada is truly an ambitious target, but I am pleased to say that Industry Canada is now accepting applications for projects under this program, and we expect to announce the first recipients in the spring.

I would also add about the connecting Canadians program, the rural Internet policy that we put in place—and I appreciate the support from the opposition parties when we announced it—when it's spoken about on the international scene, for example, among the Internet champions of the EU, it is seen as an international standard of achievement that is without parallel.

Connecting Canadians also involves making the right decisions to ensure that Canadians have access to vital resources, like wireless spectrum. Last March I announced the results of a 700 megahertz spectrum option, the highest quality spectrum for wireless services ever auctioned in Canada. The total revenue generated from this auction was \$5.27 billion, proving critics wrong and earning the most ever for a wireless auction in Canada.

Since then our government has taken deliberate action to offer consumers more choice, lower prices, and better services in our wireless sector. We have delivered on our promise to cap wireless domestic roaming rates. We have introduced legislation to end paper billing fees. Next year we will be making more spectrum available to Canadians than ever before by holding two more spectrum auctions with the AWS-3, a 2,500 megahertz band.

This is of course on top of the initiatives that we've had on tower-sharing policy, and on top of the initiatives that we've had in concert with the Federation of Canadian Municipalities on community engagement whenever cell towers are built.

With all of this taken together, we know that these actions have had a positive effect on our wireless industry. In fact, there is more competition today, and wireless rates have fallen 22% since 2008, according to the Wall report.

• (0905)

[Translation]

One area of the economy where we have seen tremendous growth since the recession is in manufacturing. Throughout the fall, I have met with representatives of some of Canada's leading companies to learn more about how we can do better.

[English]

Manufacturing accounts for more than \$166 billion of Canada's GDP, representing about 10% of all of our economic activity. The industry employs close to 1.7 million Canadians, and almost all of them enjoy full-time, well-paying jobs.

One of the most important and certainly one of the largest manufacturing sectors is the auto industry, which is seeing positive results. In fact, recently Canada posted the largest trade surplus on auto exports since the start of the recession.

Our government support for the auto sector has focused on projects that secure high-value jobs and deliver long-term economic benefits to Canada. Last month Ford announced the creation of 1,000 new jobs at its Oakville plant, thanks to our government's investment and partnership with the firm.

We are confident that Canada's suite of policies, low taxes, global trade opportunities, investment policies, investment in infrastructure, such as twinning the Detroit-Windsor border crossing, and the establishment of a skilled workforce will keep Canada's auto sector among the global leaders. Canada is a great place to build cars.

[Translation]

I would also like to briefly talk about our aerospace industry, which is another cornerstone of Canada's manufacturing sector. It comprises over 700 companies, is responsible for more than 170,000 Canadian jobs and contributed \$28 billion to Canada's GDP last year alone.

Canada ranks third in the world in terms of civil aircraft production. Aerospace manufacturers export nearly 80% of their products to diverse markets around the world. And we will continue to support this key sector of our economy through the technology demonstration program and the strategic aerospace defence initiative.

[English]

Earlier this year I also announced a new space policy for Canada, a framework that will guide our future in space. Since then some of Canada's very own companies were involved in making history by contributing to the European Space Agency's Rosetta mission.

[Translation]

Canada's success in space is something to be extremely proud of.

To build on this success, I recently announced the creation of the Space Advisory Board. Members of the board—including Colonel Chris Hadfield and former Canadian Space Agency President Walt Natynczyk—will provide expert, unfettered advice to our government on Canada's role and future in space.

[English]

Mr. Chair, when Canada's Agreement on Internal Trade was signed in 1994. Canada had free trade agreements with two countries in the world: the United States and Mexico. Today Canada has free trade agreements signed with 43 countries around the world, constituting 52% of the global marketplace. As Canada signs on to more international agreements, we must ensure that Canadian companies and Canadian consumers have the same opportunities here at home. We have too many barriers to commerce, to trade, to mobility, and to growth within Canada.

[Translation]

Over the last 10 months, I have engaged businesses, premiers, provincial and territorial ministers across the country about the urgent need to free up trade within Canada.

Our proposal for change is called "One Canada: One National Economy". This proposal outlines two paths to advance a modern internal trade framework. One involves making targeted reforms that address priority areas of concern, including labour mobility and education credits.

[English]

The other is more comprehensive, a complete redesign of the agreement to bring it in line with recent international trade agreements. At this summer's Council of the Federation meeting in Charlottetown, Canada's premiers agreed unanimously to undertake a comprehensive renewal of the outdated Agreement on Internal Trade. I look forward to working with my provincial and territorial counterparts to see this through.

Mr. Chair, our government has promised Canadians that we would return to a balanced budget by 2015. We promised Canadians that, if they entrusted us with a majority government in May 2011, our principal focus would be the Canadian economy. By focusing on the priorities that I've outlined today, we will continue to deliver jobs, opportunities, and economic growth for Canada's economy.

[Translation]

I am happy to take your questions now on any of the matters I mentioned in my speech,

[English]

or other matters that are of interest to committee members. Thank you very much.

The Chair: Thank you, Minister Moore.

With the time that we have, we'll go with five minutes per person all the way through.

Mr. Lake, for five minutes.

• (0910)

Hon. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): Thank you to the Minister for coming.

I'm going to stay high level here and talk a bit about the middle class and some of the claims that are made from time to time about the state of the middle class here in Canada by the opposition members.

I will start by reading an interesting quote by a well-known Conservative champion, Hillary Clinton, who said:

Canadian middle-class incomes are now higher than in the United States. They are working fewer hours for more pay, enjoying a stronger safety net, living longer on average, and facing less income inequality.

I found that to be an interesting quote because it's the exact opposite of the claims made daily by the opposition members.

I want to talk a bit about our policies and how they relate to the middle class, and give you an opportunity to contrast that with some potential opposition policies. I think about our telecom policy, the manufacturing policy that you talked about, the steps we're taking to end pay-to-pay billing practices, and the connecting Canadians program, all those measures that we've taken. Perhaps you could talk a bit about their impact on strengthening our middle class further in Canada.

Hon. James Moore: Hillary Clinton's comments were built on the study that was reported on the front page of *The New York Times*, which we as a government were very quick to trumpet, which was the declaration that Canada has the strongest and healthiest middle class in the world.

But it's true, I think it's fair to say, not only on some of the items that you mentioned, like ending pay-to-pay billing in the wireless sector, or for example, anti-spam legislation, or the bringing into force of the Fairness at the Pumps Act, which we've done as well, or the drive for more competition in the wireless sector which puts more money in people's pockets, or even frankly, things like augmenting the universal child care benefits, that people have a little bit more money in their pockets to make choices about how they want to live their lives.

These policies, lassoed together, provide tremendous benefit to Canadian families. As you know, not including the new UCCB benefits that we're planning on bringing into force in the new year, the average Canadian family of four has \$3,500 in their pockets which they didn't have prior to 2006. We're very proud of that. It's

not one big national monumental policy that has arrived at that; it's a series of policies, which bit by bit shift government policy, to the benefit of the average Canadian family. It's principally, of course, middle-class families, those with kids, who have benefited from this suite of policies.

The Canadian economy in general, and by extension of that, average families....The greatest challenge the Canadian economy and all of us face is actually very simple and it's straightforward. It can be defined in one word and that's "complacency". The assumption is that we will always have better, that we will always grow, that we will always have a better quality of life, and that everything will be fine in perpetuity. That is the greatest challenge that we have in Canada with our economy: complacency.

We have to ensure that we remain competitive, that we continue to grow, that we're establishing opportunity in world markets, that we're developing our resources in a responsible way, that we're managing the Canadian economy as effectively as we can, that we continue to consult, have our eyes open, be mindful of what the rest of the world is doing in auto policy and try to match it in a competitive way.

We have to be mindful that the rest of the world is catching up to us in aerospace and space policy. We have try to stay ahead of the curve and move forward. Complacency is the greatest challenge that we have. We need to make sure that we're vigilant.

Hon. Mike Lake: Along the same line, we have an election campaign coming up within the next year and there will be really tough choices to make.

I'm taking a look at the NDP policy. I was looking at the platform the other day. Don't hate me for that. I noticed a fairly significant amount of carbon taxes in that last platform. A 30% increase in taxes on job creators, going from 15% to 19.5%, and obviously significantly increased EI costs to employers and workers.

What kind of impact do you think those would have on the progress that we've made?

Hon. James Moore: They would be unhelpful, and you won't find any of those policies—

Ms. Peggy Nash (Parkdale—High Park, NDP): On a point of order, Mr. Chair, I'm confused. I'm flattered that the member is reviewing the NDP platform. There are lots of very good ideas in there and he's well-advised to read it carefully. However, I am confused as to why that would be pertinent when we're reviewing the estimates and the minister's time is so valuable here. Why are we debating the NDP platform, as flattering as that is, and as positive and constructive for Canadians as that is?

• (0915)

The Chair: I try to give a lot of latitude, Ms. Nash, and I do the same for everybody. I'm certain that Mr. Lake will get to the point that he's trying to draw in respect to the estimates.

Hon. Mike Lake: I'll be glad to hear, in fact, how well the NDP structure their questions to be exactly in line with just the estimates only. That should be interesting.

The Chair: Minister Moore.

Hon. James Moore: I'm against the NDP platform.

Hon. Mike Lake: Maybe we could have a vote on that.

Minister, could you take a few seconds to elaborate on the support for the manufacturing sector that we've provided?

Hon. James Moore: As you know, manufacturing is an umbrella phrase, but it actually covers a number of different areas of the Canadian economy, all of which have their own unique challenges, unique pressures, and which are geographically housed in different provinces in the country which have their own policies which challenge our effectiveness in order to compete.

Think about, for example, the auto sector in Ontario, with energy costs and the challenges that imposes on the auto sector. Those are a unique set of challenges that frankly don't exist in other parts of the country.

Think of our capacity to partner and work with the Province of Quebec on the aerospace sector. That's a unique set of policies, and a geographic and physical environment that is different, for example, from working with Kelowna Flightcraft or Viking out on the west coast of Canada.

It is important to have policies that make sense. When one talks about manufacturing, you then very quickly have to put on a geographical lens and see what it means for shipbuilding in Atlantic Canada versus the Pacific coast. Do you get my point?

It's a complex policy, but we do our best to stay competitive.

The Chair: Thank you, Minister Moore.

Ms. Nash.

Ms. Peggy Nash: Good morning, Minister, and thank you for being here.

You talked about jobs and economic growth. I wanted to ask you about the advanced manufacturing fund. Albeit sales are up in some areas of the manufacturing sector, we're in fact down about 400,000 manufacturing jobs, which by your own account are good-quality and for the most part full-time jobs.

Since the first intake in early December of 2013, the advanced manufacturing fund has released no money, and there have been no agreements executed as of November 6. Since October 1 of this year, you've taken credit for the advanced manufacturing fund no fewer than six times, and yet no money has left the fund.

I'm wondering if you would agree that it's just a bit disingenuous to claim victories across Ontario when in fact you've not spent a dime.

Hon. James Moore: Well, not quite. As a matter of fact, we've received 14 projects and we are doing that assessment. As you know, there's a volume intake. We assess the projects, and then we move forward with them. As a matter of fact, we'll have some announcements on that front very soon.

If I've spoken about the advanced manufacturing fund in a proud way six times, that's to my failing; I think I should have spoken about it with more pride more often than that. This fund has been well received across Canada by provincial NDP, provincial Liberal,

and provincial Conservative governments who have welcomed this investment and what it will mean for advanced manufacturing moving forward.

But it's a fair question. Minister Holder is administering the fund, and he will be more than happy to be here with Minister Goodyear to discuss the fund: what we aspire to achieve, what the timelines are. We do have announcements coming very soon, and we do have 14 applications for 14 projects, many of which will receive funding, which will be a very good day for Canada.

Ms. Peggy Nash: So you've confirmed that no money has left the fund, and you have answered a question that I didn't get an answer to when I put the question on the order paper, which was how many companies have applied for the fund. Would it be possible to get the rest of the answers? It was Question No. 671 on the order paper. I'm hoping you can supply the rest of those answers to the committee through the chair.

I wanted to ask you about the long call for proposals and the extended examination period of the advanced manufacturing fund. Do you think they respect the pace of investment decisions made by multinational corporations, which I'm told happen very rapidly? As you said yourself, we face global competition, and yet this fund is taking a very, very long time to make decisions.

Hon. James Moore: I will take a look at Question No. 671 and make sure we've answered it to your satisfaction.

In terms of the number of firms, it's 14 projects. On the number of firms that are implicated in the 14, I don't know the global number, but if you invite to the committee Minister Goodyear, who's responsible for the administration of the fund, I'm sure he'll be more than happy to answer the question.

● (0920)

Ms. Peggy Nash: Okay.

About the time lag, do you think the time it's taking respects the pace of investment decisions in manufacturing around the world?

Hon. James Moore: It's more important to make effective investments that meet the spirit of the fund and help manufacturing than to just rush money out the door so you can say you've rushed money out the door.

Ms. Peggy Nash: We've heard criticism from business about how long these projects are taking to get approved.

Hon. James Moore: I'm sure that's true, because they would like us to rush the money out the door to them.

Ms. Peggy Nash: We're anxious to get jobs created, Mr. Minister.

Hon. James Moore: Everybody is.

Ms. Peggy Nash: Let me ask you about small business.

Industry Canada's report on planning and priorities shows a cut of 13% from the small business research, financing, and services envelope, with actual spending declining from \$99 million in the 2011-12 period to just over \$85 million in the 2016-17 period.

Why would the government be cutting funding for important programs that assist entrepreneurs in starting and growing businesses?

Hon. James Moore: As you know, the minister of small business has done wide-scale consultations across the country with small business. In terms of the moves we've made, you're looking at one specific fund and one specific envelope, but perhaps you can look at the suite of policies we have to support small business across the country.

It's not just about spending money. I know this is a different paradigm for the New Democrats, but it's not just about spending money. It's actually about supporting small business in other ways: opening up international market access, lowering taxes, reducing the red tape burden and making it easier, and supporting programs like BizPaL, which we have done as a government. We have a one-stop entry port for small businesses that want to establish themselves. They have one portal of entry so they know all the licensing and regulatory requirements to start a small business.

Ms. Peggy Nash: I'd like to move on. I have limited time.

Hon. James Moore: In terms of our support, I appreciate that the question is about one particular fund, and I know the minister of small business will be more than happy to come here and talk to you about that one fund, but it is a patently dishonest picture that you're painting—

Ms. Peggy Nash: No, it's not dishonest.

Hon. James Moore: —about our government's policy for small business. Because as you know—

Ms. Peggy Nash: It's not dishonest. This particular program has been cut.

Hon. James Moore: —all of Canada's small business organizations, from the Canadian Federation of Independent Business to the —

The Chair: That's all the time there is—

Hon. James Moore: —Canadian Chamber of Commerce, those organizations that represent small business have supported every single one of our government's measures.

The Chair: That's all the time there is for that round, folks.

Ms. Peggy Nash: Oh, what a shame.

The Chair: Ms. Gallant for five minutes.

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): Our government has been consistent in promoting more choice, more prices, and better service for Canadians. Most certainly, the committee has reviewed measures that will end pay-to-pay billing and that will give you, Minister, and the CRTC, the administrative monetary penalties, the AMPs, to help enforce compliance. Why are these measures so important?

Hon. James Moore: They are important. As you know, this is a commitment we made, and the administrative monetary penalties are within Bill C-43 on telecom. Ending pay-to-pay billing and ensuring that there is more competition in the wireless sector is something that as a government we've been very proud of, for its self-evident benefits.

I'm not sure, Kelly, if you want to give an update on the AMPs, the administrative monetary penalties, where that is at, and how the CRTC is viewing the reforms we've put in place.

Ms. Kelly Gillis (Senior Assistant Deputy Minister, Spectrum, Information Technologies and Telecommunications, Department of Industry): Certainly.

Thank you for the question.

On the administrative monetary penalties and what we have in the telecommunications sector, for us at Industry Canada we have the Radiocommunication Act, which regulates the management of spectrum. The radio frequency spectrum is a vital component for our connectivity in Canada today.

We haven't had the tool to be able to enforce certain conditions of licence. We've had different tools, such as education, suasion, and revocation of licences, but this provides an additional tool to ensure that this public resource is effectively utilized into the future. It will be an important component in the overall toolset in managing telecommunications going forward.

Mrs. Cheryl Gallant: Can you explain what other actions our government has taken in the last few years to protect consumers in the wireless sector?

Hon. James Moore: Sure. It starts, of course, with driving at more competition in the wireless sector. I know there were many voices out there that said that it can't work, it won't work, there isn't capacity, and there's no real market demand for this, but of course that's not true.

When you actually look at the hockey stick curve of the voracious increase in consumption of wireless services by Canadians, frankly, and in almost every age cohort, by the way—it's not just a young person thing—you see that there's increasing demand all across the country. We know, of course, as the government, that in those jurisdictions in Canada where there is an aggressive fourth wireless player that is challenging the incumbents, the large, biggest three telecom providers, there's a greater mix of choices of services that are offered in the marketplace, prices are generally down, and there's greater market and consumer satisfaction with the offerings in the marketplace. This is a good thing.

By the way, as a country, we should be very proud of the wireless services that we have in this country: Rogers, Bell, Telus, EastLink, MTS, SAS.... All these firms provide incredible services. When you compare the quality of wireless services that we have in Canada to those in almost any other country in the world, we do extraordinarily well. Where we are challenged is on the question of pricing and making sure it is competitive and that Canadians can afford the quality services that we do have. That's where the government's responsibility is.

When we have an end of analog television, we transition to digital television, the spectrum becomes available, and we put it into the marketplace, as we did with the 700 megahertz auction, or the AWS auction of 2008, or AWS-3 in the new year. When we dispense of the spectrum and put it into the marketplace to meet the market demand for wireless services and for these firms to deliver on the capacity side, we should do so, and try to kill multiple birds with one stone and put in place the opportunity for more competition in the wireless marketplace, which is what we've done.

We now have the spectrum capacity in every single region of the country for there to be four wireless carriers in every single region of the country. There was informed opinion that said this was impossible and never would happen. Well, it actually has happened, and it is being realized, and the spectrum capacity is there.

Now we have firms in every region of the country that are looking to engage the marketplace with the highest quality spectrum ever put in place, so that we will have more choice and more competition in the market. This is a good thing. It's good for consumers. It's good for business, good for education, and good for health services, and ultimately it will lead to a shrinking price point for consumers so they can have access to the best technologies anywhere they live. This is a good news story for Canada.

• (0925)

Mrs. Cheryl Gallant: Our government recently announced \$305 million for connecting Canadians. That's supposed to expand Internet services in rural communities. Why did our government take this step and how does it fit in with our government's digital strategy, DC 150?

The Chair: Keep it as brief as possible please, Minister.

Hon. James Moore: Maybe I'll come back to it, but it is essential.

Keep in mind everything I just said about wireless Internet. Set that aside, and remember that about 85% of all data downloads are still done through wired, fixed Internet. I'll give you an example that tells you everything that you need to know about connectivity in rural parts of Canada.

In September, I was with the Prime Minister in Pond Inlet, the third most northern town in North America. We went into the library/archive/city hall/computer lab for the entire village. On the wall was a poster in all capital underlined letters that said, "Anybody who is in the computer lab, stop using YouTube", because whenever they use YouTube, they slow down the entire village, and nobody can get their e-mail, and nobody can talk to anybody, so they should stop using YouTube.

This is a village that's very remote. You can imagine that at difficult times of the year, with difficult weather, to get health services in there, to get connectivity in there, and to get learning opportunities up in the north, let alone e-commerce and all the opportunities that could exist through greater connectivity, it is essential that they have high-speed Internet.

Now, through our connecting Canadians program, they will have access to five megabits per second Internet speed, as a floor, which allows for a streaming YouTube video anywhere in the village. That's a phenomenal standard that will be mirrored all across the country. That's something we're very proud of.

The Chair: Thank you, Minister.

Madam Sgro, for five minutes.

Hon. Judy Sgro (York West, Lib.): Welcome, Minister Moore. We're glad to have you back here with us again today. It's disappointing that we weren't able to get you earlier. Now that our purpose has changed, I'm going to focus my questions a little bit differently.

The auto industry continues to be a critically important industry for Canada. Needless to say, we all hear from people in the industry about their challenges. But I have to say, I don't hear you fighting a lot for that industry.

I say that because of the concerns that keep being raised that GM is focusing more and more of their work in Michigan and in Mexico, and less and less in Canada, and the fact that they don't have a model here in Ontario ready to move into 2016. In 2008, with the bailout, they agreed to make sure there was 16% of investment. I believe that was the number. Now apparently it's come down to 15%.

I'd be interested in your comment. That's an important industry for Ontario. I know that you share the same concern. But what are you doing, and what are you prepared to do in the future to insist that GM makes some new investments here in Ontario? I am very concerned. As you know, the jobs that are created in the auto sector are critically important, not just in their direct but their indirect spinoffs.

What are you planning to do in the next year to make sure that GM is investing and that we're going to have an active auto industry, especially on the GM side?

• (0930)

Hon. James Moore: I know that concerns have been raised, and that's why we have an organization called the Canadian Automotive Partnership Council. I essentially co-chaired a meeting with Brad Duguid, my provincial counterpart. We met last Monday on this very subject, to talk about 2015-16, and moving forward, about how we maintain a competitive advantage in the auto sector, so your question is timely.

As an example, we have put forward \$750 million of investment into the auto sector, and that money is made available. I can tell you that we have a number of conversations happening right now with a number of firms about possible investments in order to not just maintain but expand footprints for the auto sector in Ontario, with benefits spilling beyond the province of Ontario.

We have been a good partner with GM. I know Kevin Williams has just left GM. They have a new president whom I'm looking forward to speaking with very soon about what the plans are for the future, but we're quite confident. It is said again and again, particularly by GM, that they want to make cars where they sell them. If you look at the sales numbers and how GM is doing in Canada, they seem to be going in the right direction.

The auto sector is one of our largest manufacturing sectors, and we do want to make sure that we are investing this money effectively, but look at the whole suite of policies that we have as a government. We're twinning the Detroit-Windsor border crossing. We're working on the regulatory question with the United States so we have a twin regulatory regime in Canada relative to the United States. We've lowered corporate taxes from 23 down to 15 points, giving us, on average, a 13 point corporate tax rate advantage over what's offered in the United States. We have a productive, educated, and thoughtful workforce that is doing great things in plants all across Ontario. Added to that are the investments available through the Province of Ontario in the form of a grant. There are \$750 million on the table for investments from the Government of Canada through the automotive innovation fund.

We are working together across all party lines and across all ideological lines. When you have me, Brad Duguid, Jerry Dias, the OEMs, and everybody working together to align our policies to make Canada as competitive as possible, we are going to stay as a serious player in the auto sector for a very long time.

Hon. Judy Sgro: What about the jobs, though? You outline all kinds of ideas and things, but clearly what we see happening is more and more of a switch to do different things in Michigan, even though I think we have a better educated workforce, and all the rest of it, yet more and more of these jobs seem to be going to the other side of the border or into Mexico.

Now that the current agreement is about to expire, what are your plans to make sure we have conditions that these jobs are going to be here in Canada?

Hon. James Moore: It's not quite true. As I said in my opening comments, Ford, for example, is adding a thousand jobs. That's above and beyond, by the way, the thousand jobs that were expected to be created as a result of project northern star in Oakville, so a thousand jobs above and beyond that.

Certainly we have some challenges elsewhere. But Ontario is the second largest vehicle-producing jurisdiction in North America, behind only Michigan, with five OEMs and a strong and established cluster of vehicle and parts suppliers. I can tell you we are looking at policies.

I know the AUTO21 group has come forward. I think you, Brian and others have met with them about having policies that would support not just the bigs but also the entire supply chain to ensure that manufacturing is happening across the entirety of the auto footprint in Ontario. We are looking at policies, I can tell you, about how to shift and move forward to support the entirety of the supply chain in the auto sector.

If you look at everything we're doing, the numbers, the sales figures, the export numbers, and what Chrysler, GM, Ford, and others are all saying about the opportunities in Canada because of the Canada-Europe free trade agreement, about using Canada as a launching pad to export their products that are being manufactured in Ontario to the European market—500 million customers for auto parts and cars that are assembled in Ontario—this is a real opportunity for Canada, I think. It gives us a bright horizon to look forward to.

The Chair: Thank you, Minister.

Ms. Bateman for five minutes.

Ms. Joyce Bateman (Winnipeg South Centre, CPC): Thank you, Minister Moore, for making time to be here with us this morning. It's very much appreciated.

In the context of the estimates, you have shown real leadership and real initiative in breaking down internal trade barriers in this country of ours. On reflection, you've probably shown initiative and true leadership on every file you've ever touched, but this is the one I would like you to expand on. Please give us an update on the progress that has been made on this initiative, of course in the context of the estimates.

Thank you.

• (0935)

Hon. James Moore: Sure. Within the context of estimates, if the Canadian economy grows, the estimates will be healthier.

Ms. Joyce Bateman: Exactly.

Hon. James Moore: Therefore, let me talk about internal free trade.

Ms. Joyce Bateman: Perfect. We're working on that.

Hon. James Moore: This has been a nagging issue for a long time. There's nothing new about this. Frankly, saying it's been a nagging issue for a long time understates it.

As we look at the great picture up there on the wall in front of us, you know that the Quebec conference of 1864 led to the Charlottetown conference which then led to Confederation in 1867. We're looking at the Fathers of Confederation right here in this beautiful painting.

The job of Confederation is not done, in my view. We always need to remind ourselves that at the time Confederation, there were four provinces that came together and created a federal government. It wasn't a federal government that created provinces and dispersed powers. They created the federal government. We live in one of the most decentralized constitutional structures in the world. It shows itself in a lot of very good ways, but also in a lot of challenging ways.

When I say the job of Confederation is not done, I mean that we allow more economic activity, east and west within Canada, for Americans, for South Koreans soon, and for Europeans ultimately when CETA is brought into force than we allow for Canadians to have access to the Canadian marketplace east and west. I'll give you an example: government procurement. All provinces and territories, which is to say NDP, Liberal, and Conservative provincial governments all across Canada have consented and agreed to the Canada-Europe free trade agreement.

Within the Canada-Europe free trade agreement are included provisions that allow for Canadians to have access to government procurement all throughout Europe. It's a fantastic and brilliant opportunity for a country of 35 million people to have access to a 500-million-person market and all the government contracts at the national, state, and local levels all across Europe. It's a great opportunity for Canada. But the inverse is true. The Europeans have access to government contracts at the national, state, provincial-territorial, and local levels within Canada.

The issue is, Canadians don't have access to Canadian government contracts at all levels of the Canadian economy. Therefore, for example, a young person who lives in Brussels who might have a brilliant idea for a mobile app for the collection of parking fees can sell that to governments within Belgium, within France, within Germany, and have access to those markets and government contracts. They can sell it to Brandon. They can sell it to Lethbridge. They can sell it to Vancouver. They can sell it to Sept-Îles, Quebec. But a kid from Brandon, Manitoba can't sell it to Saskatoon, Vancouver, or Sept-Îles, Quebec. We're allowing more market access for Europeans and Americans than we're allowing for Canadians to have access to the Canadian marketplace, and that needs to change.

I've been beating this drum for almost a year now trying to take advantage of the political fact that in Canada we have a federalist government in the province of Quebec, we have a government that's been re-elected in the province of Ontario that has worked very well with the Government of Canada on some files including Canada-U.S. trade access, the beyond borders agreement, and winning the Detroit-Windsor border crossing, and we have a good working relationship with Minister Duguid on this file. We have elected governments in all parts of the country now—all parts of the country—that are willing and prepared to have a conversation about this.

I've been beating this drum now for almost a year, and we got the subject of internal free trade reform on the top of the agenda at the Council of the Federation this past summer. It was great news that the provinces agreed to have four premiers—McNeil, Wall, Wynne, and Couillard—to sit on a committee as a subcommittee of the Council of the Federation and to come back to the council with a brand new internal free trade agreement that all of them will consent to, of course with the Government of Canada as well.

We've taken a number of steps in previous budgets. We will have new items in next year's budget as well that will try to grease the skids towards more forward progress on the issue of internal free trade.

I'm very proud to be beating the drum and making noise and to be working cooperatively with again, the NDP, Liberal, and Conservative provincial governments all with the goal of making the Canadian economy more efficient so we have more trade opportunities within Canada.

I can point to a number of examples, a number of goods and products. I mean the second largest country in the world in size and the 37th largest in population terms is Canada, but we don't have national standards east and west on transportation. We don't have national standards on fuel. We don't have national standards and agreed-to regulations on tires for trucks, which is the largest industry in Canada for employment. For getting goods east and west, we don't have national standards on that.

We're on the cusp of our 150th birthday and we still don't have cooperation and agreement on these standards. It's ridiculous, and we need to do better. I'm going to keep driving progress forward, and I'm confident we'll get there.

• (0940)

The Chair: Thank you, Minister.

Thank you, Ms. Bateman. That was all the time.

Now, we go to Mr. Masse.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Minister, for being here today.

I'm glad you talked about the Windsor-Detroit border crossing. It's very important. Unfortunately, your government signed an agreement that requires us to pay, even on the Detroit side. So as we speak here right now we're actually buying land in Detroit and we'll have to build a customs plaza for them because of the agreement that was signed, with no money coming from Michigan or Washington.

I do want to talk about auto, though. You talked about the thousand jobs that are going to Oakville, but we lost over 1,500 jobs that could actually have gone to Windsor. I asked the Library of Parliament to do research—I commissioned them; they're independent—on who has a national auto strategy. That's the United Kingdom, France, Germany, Japan, the Republic of Korea, Australia, Sweden, Mexico, China, India, Malaysia, and Nigeria.

Most recently, your government was in negotiations with Ford, and your member for Essex said this:

Ford Canada owes Windsor an explanation. They should break their silence and inform Windsor of their decision, and explain why they wouldn't offer enough in exchange for what would have been historic federal and provincial support.

So I ask you, do you agree with the member for Essex? What was that federal and provincial support in terms of the Ford investment that was actually going to come to Windsor, but eventually was negotiated in public on the front pages of papers?

Hon. James Moore: Brian, with respect, you're just wrong. You're just wrong. You should talk to Jerry Dias, whom I met with on Monday, who thanked our officials—

Mr. Brian Masse: I'm not wrong. I'm asking you about your member for Essex and what he said—

Hon. James Moore: No, no, you're—

Mr. Brian Masse: —and I'm asking you whether you agree with him. I don't know how I can be wrong, because I'm asking you what you offered provincially, but more important, federally, to Ford for this investment in Canada. The public has a right to know what you offered in terms of an incentive to bring this to Canada—

Hon. James Moore: Right.

Mr. Brian Masse: —and to Windsor in particular.

Hon. James Moore: With respect, Brian, you're wrong in that you say the investment was going to come and we botched it. That's not true. It's factually not true, and nobody who understands this file and who was actually at the table as part of the conversations will double-down on your assessment, including Jerry Dias. By the way, as you know, he is no friend of the government in a partisan way, and is going to be quite aggressive about trying to defeat our government in the next campaign. Monday of last week CAPC, the Canadian Automotive Partnership Council, thanked me in front of the entire group for the leadership that my staff and my officials provided in order to try to land this investment.

Brian, I agree—

Mr. Brian Masse: All I'm asking you is what you offered. I'm not even being critical.

Hon. James Moore: If you want an answer to the question, you're going to have to actually let me finish my sentence. I was going to get to your question, to your point of, do I agree with Jeff Watson. Sure. Should Ford come forward and explain what it is that's being offered in Mexico that isn't being offered in Canada? Sure. We know, for example, in the United States, in Alabama, in South Carolina, in Tennessee, Kentucky, and other places, what's being offered frankly is something that would be fiscally irresponsible for us to try to match as a government. But what's being offered in Mexico is underneath the cloak of secrecy, and we don't know. Ford is not really in a position to completely obliterate their capacity to have a negotiating leverage in order to get good value for their firm.

By the way, Brian, I have to say, negotiating 101, it's kind of not a good idea for the Government of Canada to completely expose how far we're prepared to go in order to draw investments into Canada—

Mr. Brian Masse: Well, it's done because you completely—

Hon. James Moore: —because it would obliterate all of our leverage to get good value investments to Canada.

Mr. Brian Masse: It's done now—

Hon. James Moore: If you want us to completely and literally—

Mr. Brian Masse: —so why don't you come forward and divulge what you can?

Hon. James Moore: There's no union, not one single union in this country that would completely open up their books and say, "Here's as far as we're prepared to go in order to land—"

Mr. Brian Masse: Why is it okay for Ford to do it, but not you?

Hon. James Moore: Nobody who understands negotiation would do what you're suggesting and what you're demanding that we do in the name of transparency. It would be irresponsible public policy to do what you're asking us to do, which is to completely—

Mr. Brian Masse: To share with the public how you're going to spend public funds.

Hon. James Moore: —hand over all of our leverage in order to get a good value investment for Canada. Ask Jerry Dias, who was at the table, who was part of the negotiations with the Government of Canada—

Mr. Brian Masse: So you want him to disclose the deal, but not you.

Hon. James Moore: —and with the Government of Ontario, who was actually at the table, who knows what he's talking about, whether or not he thinks the Government of Canada did everything we could. He has said publicly on the record and thanked us in particular for the work that we did.

Mr. Brian Masse: What were you prepared to do?

Hon. James Moore: What we were prepared to do, Brian, is within the context of public policy that is already out there and available. If you understand the automotive innovation fund, if you understand the suite of policies, if you understand the kind of leverage and flexibility that we've shown in the past with other investments in the automotive innovation fund, you will understand the policy levers we have that we're prepared to negotiate with, with firms.

As you know, when firms look to doing investments in Canada, there's a different scale of investment with every firm. There's always a different question on jobs, on investment, on R and D, on supply chain engagement, and long-term commitments. These are all things that are negotiated. These are all things that are discussed. For the Government of Canada to come forward in the name of simplistic, really simplistic transparency and say, "Here's everything that we're prepared to do to land an investment", is incredibly naive and would guarantee that we would get no investments that are of net benefit to Canadian taxpayers.

● (0945)

Mr. Brian Masse: You failed on this deal.

So the public doesn't have a right to know how you spend their money.

Hon. James Moore: Of course, they do. Once we decide to spend it—

The Chair: I'm sorry, that's all the time.

Hon. James Moore: Brian, with respect, you don't know what you're talking about.

You have not come to my department to get a fulsome briefing on this, which we're prepared to do.

If you don't believe me, feel free to talk to Jerry Dias. You have his cell number. Give him a call. He will tell you to your face that you are wrong and you don't understand what's going on.

The Chair: I'm sorry, Minister, our time is over.

Mr. Lake, do you have a point of order?

Hon. Mike Lake: I have a couple of points, I guess.

Ms. Nash was pretty adamant that we stick to the estimates, and I don't want to see conflict within the ranks of the NDP over there. Obviously, Mr. Masse is fired up.

The other thing is that it probably would be helpful if members didn't yell at the witness as the witness is giving them clear answers to the questions, no matter whether they like them or not.

The Chair: Thank you, Mr. Lake.

I think a higher level of cordiality would be very good.

We are being broadcast, so it's a little easier for those who are watching and listening to be able to understand the interplay if we can just let one person ask and one person answer.

Mr. Warawa.

Mr. Mark Warawa (Langley, CPC): If I may speak to that point of order, O'Brien and Bosc clearly instructs us to speak through the chair to avoid what has just happened. We are also guided in O'Brien and Bosc to show respect to one another.

I was quite disappointed when the NDP was attacking the minister instead of asking a question professionally and then listening to the response.

I think it's important that we speak through you, Chair, and to show respect.

The Chair: Thank you, Mr. Warawa.

Madam Sgro.

Ms. Peggy Nash: They're wasting time.

Hon. Judy Sgro: On that point of order, I really appreciate that everybody wants to be cordial, and we do a really good job in this committee with that, but every once in a while, perhaps the government side could do a bit of a flashback to a few years ago.

That's just to remind them. Thank you.

The Chair: Madam Gallant.

Mrs. Cheryl Gallant: Getting back on track and sharing the love, I want to tell the NDP, through you, Mr. Chairman, how pleased I am that, as anti-free traders, they are embracing the idea of a bridge between Canada and the United States.

The Chair: I think that's probably enough on that point.

Mr. Warawa, for five minutes, please.

Mr. Mark Warawa: Thank you, Chair.

I really do appreciate the minister being with us today. I know he has an extremely busy schedule.

I want to focus on manufacturing, and I guess I have two main questions.

Minister, could you outline the measures that our government has taken to support the manufacturing sector and how that differs from the NDP plan? What is the contrast? Even more importantly, Canadians did give the Government of Canada the mandate to focus on the economy, and I believe they've done an incredible job. You have a proven track record. Is that job done? Do we need to do more work on the economy and to continue to maintain Canadians' strong economic leadership?

Could you outline our track record, the NDP correspondence, and is the job done?

Hon. James Moore: Again, I'm happy to contrast that. I'll calm myself down.

I think you saw a perfect example of the contrast a second ago. Does anybody who is entirely sober really think that an international firm that is thinking about a multi-billion-dollar investment in Canada is actually going to consent to entering into a negotiation with the Government of Ontario, the Government of Canada, and the City of Windsor, that they're actually going to come to the table and have a conversation with us if they have to have a completely open and transparent exposure of all of their thoughts when they're trying to compare what the opportunity is in Windsor versus Mexico, or Windsor versus South Carolina, or Oshawa versus an opportunity in the southern United States? It is ridiculous to think that's an effective way to go.

We have to make sure that we are getting the best value for Canadian taxpayers. We have to make sure that, yes, we are supporting the manufacturing opportunities within Canada, but it is ridiculous to think that the approach to take on this stuff is just to surrender any leveraging we have in order to get value for Canadians and to actually land these investments.

Jerry Dias, who is a serious person who understands how negotiating is done, who was actually at the table, will rebut

everything that the NDP has said on this file. He will tell this committee, if you invite him to this committee, that the Government of Canada has done everything it possibly could do to try to land that investment from Ford.

Now, I appreciate that Brian Masse is defending Windsor because he's from Windsor and all that, but I think we have a broader obligation as the Government of Canada to recognize that these negotiations are done in a more effective way to ensure that you get best value for Canadian taxpayers. Any assertion that we lost the investment is a laughable assertion by anybody who says that out loud.

More broadly on manufacturing, there actually is very good news, I think, overall. Manufacturing sales have bounced back. They're up 25% since the start of the recession. Manufacturing employs, as you know, close to 1.7 million Canadians. We do have good news out of Honda. We do have good news out of Magna and Linamar. We do have good news out of our food processors. We do have good news out of pharmaceuticals. We do have forward progress in a lot of areas of the Canadian economy, but of course we do face challenges from some low-cost jurisdictions elsewhere in the world. We will continue to work with this committee, work with Canadian Manufacturers and Exporters, so that we can move forward on the initiatives that I know this committee has studied and recommended to the government, which found their way into this year's budget.

Canadian Manufacturers and Exporters said, for example, about budget 2014 that "the budget contains a number of measures that will assist manufacturers and exporters in finding and training skilled workers, lower regulatory compliance costs, and help win major new automotive investments in Canada".

Those who are the experts in how manufacturing can best be supported by the Government of Canada have put forward ideas. We have listened and we have implemented them in our budget. They have, in turn, supported our budgets. We're very thankful for their support.

• (0950)

The Chair: Thank you, Minister Moore. Thank you, Mr. Warawa. [Translation]

Mr. Côté, you have five minutes.

Mr. Raymond Côté (Beauport—Limoilou, NDP): Thank you, Mr. Chair.

Mr. Minister, you have recently submitted a report entitled "Fresh Start: A Review of Canada's Insolvency Laws". In Beauport—Limoilou, this matter directly concerns a large group of employees and retirees from the White Birch Paper mill, which is still under the protection of the Companies Creditors Arrangement Act.

In your view, should the Standing Committee on Industry, Science and Technology go over the report, quickly review the Bankruptcy and Insolvency Act and the Companies Creditors Arrangement Act, and conduct a background study on the issue?

Hon. James Moore: The decision is up to you. The study would be valid, no doubt.

When our economy is in trouble, the retirees of today and tomorrow want to know whether their investments are protected. Let us recall that this is a concern not only for the federal government, but also for the provinces.

If you think that your constituents, your regions and Canada could benefit from it, the study would definitely be valid.

Mr. Raymond Côté: Very well.

I will now turn to basic research.

In light of the 2012 cuts, your government announced a moratorium on the major resources program, which had a huge impact. Several groups of researchers are now deprived of the resources they need to move forward.

Let me give you as an example the magnet from the National Ultrahigh-field NMR Facility for Solids, which is still state-of-the-art equipment even though the centre opened 10 years ago. It received a public investment of \$11.8 million. However, the centre is threatened with closure since the program has not been reactivated yet.

On behalf of the researchers, my question is this: what are you waiting for to reinstate the program so that they can do basic research, which generates a lot of economic benefits?

Hon. James Moore: There are a lot of economic benefits, no doubt. I pay attention to the debates in the House of Commons. However, as you know, this matter is not the responsibility of Industry Canada, but of Natural Resources Canada. I am sure Minister Rickford could come here and talk about the issue. You could even address him directly in the House of Commons. In short, this is not a matter for Industry Canada.

To get back to the substance of the question, science investments, I know that the Prime Minister will make an announcement about that today in Toronto. He will specify what we are currently doing to ensure that we have both economic spinoffs and opportunities in education. There will be a major announcement about that today.

As for the situation in your region specifically, I am sure that Mr. Holder and Mr. Rickford would be available to come and talk about it here. They could also talk about the future and the changes anticipated to our policy, our commitments and future investment opportunities.

• (0955)

Mr. Raymond Côté: I will move to another topic.

In an interview with *The New York Times* in May, you said:

[English]

Members of the middle class in Canada worry about whether they can afford college for their children and whether their children will find jobs afterward. Housing costs are a major concern, as are everyday costs for transportation and mobile-phone plans. Middle-class Canadians worry about inequality.

[Translation]

Thank you for making such an accurate observation. It must be said that the Toronto-Dominion Bank also indicated that inequality was a major issue for our economy. I was a member of the Standing Committee on Finance last year and the committee conducted a study on inequality.

The purchasing power of the Canadian middle class is eroding. After nine years in power, how do you explain this rather dismal record?

Hon. James Moore: I don't agree. Actually, I agree with half of what you said. The middle class certainly has concerns and, frankly, it always will.

Mr. Raymond Côté: Mr. Minister, you did make an observation to an American newspaper.

Hon. James Moore: Yes.

Mr. Raymond Côté: Your observation showed that the middle class is struggling, even after nine years of your government being in power.

Hon. James Moore: I have always said, and I will say it again now, that yes, there are always concerns and needs. That is why we do what we do.

Mr. Raymond Côté: I agree, but these are more than concerns. We are talking about the ability of middle-class children to have a future and to find a job in the labour market.

Hon. James Moore: Let me respond to your statement.

Yes, that is always a concern. There is always a need. As I just said, one of our greatest concerns as a government, in our economy, is to make sure that future prospects are as good as they are today, and that they will always be good. We must always strive for policies, commitments, investments and approaches that protect the middle class and families.

[English]

That's why, yes, of course I said that, because we want to make sure. I come from a community where the average price of a house was about \$250,000, about 15 years ago, and today it's close to \$700,000.

Incomes haven't gone up proportionately at that scale, but the cost of living has gone up, which means property taxes have gone up, car insurance has gone up, cost of heating your home has gone up. Everything has gone up. This is why we want to make it easier for the middle class and actually put a little bit more money in their pockets, and lower taxes.

The difference, frankly, between us and your party is that we actually follow through. We put \$35,000 more in the pocket of the average Canadian family—

[Translation]

Mr. Raymond Côté: Mr. Minister, you are not solving the problem.

[English]

Hon. James Moore: —than they otherwise would have had if Stephen Harper had not become the Prime Minister of this country.

[Translation]

Mr. Raymond Côté: We must recognize that the problem is still there.

[English]

Hon. James Moore: I make no apologies, no apologies—

The Chair: We're out of time, Minister.

Hon. James Moore:—for following through on the campaign commitment that we made—

[*Translation*]

Mr. Raymond Côté: Mr. Chair—

[*English*]

Hon. James Moore:—to stand up for the middle class and put more money in their pocket.

The Chair: We're out of time, Minister.

We have about two minutes left now before the minister's schedule....

Mr. Lake.

Hon. Mike Lake: I'm just going to continue on that for a second. I find that last question absolutely unbelievable. The fact of the matter is, a responsible government can both do what we've done over the last nine years, which is significantly improve the financial situation of middle-class families in this country—and the objective facts point to that—and say we still want to do more for those who are still struggling. Absolutely, we can do both. I find that question unbelievable.

If you look at the statistics, as the minister was saying, we have families with \$3,400 to \$3,500 more in their pockets today than they had in their pockets when we were first elected. You have 1.2 million people working today who weren't working in July 2009, a vast majority in the private sector, a vast majority full-time. We have a balanced budget. We're one of the few countries with a balanced budget moving forward. We have these huge competitive advantages in Canada because of measures that we've taken over the last nine years, quite frankly.

Maybe, Minister, with the last minute you have with us you could speak to those competitive advantages and where you see us going moving forward.

• (1000)

Hon. James Moore: Canada has the best job numbers in the G7 since the recession. We have the lowest taxes in Canada in 55 years. We stand alone at having a balanced budget in 2015. We're providing \$4.6 billion in new tax relief for Canadian families starting next year. I'm very proud of where we are.

Again, reverse engineer where we are to where we would have been had we not taken the steps that we did. We wouldn't have a GST at five points. We'd have a GST at seven points. Canadian families wouldn't have \$3,500 more in their pockets. That money would be sitting here in Ottawa to be disbursed through an assortment of government programs. We wouldn't be anywhere near a balanced budget. We wouldn't be anywhere near implementing the Canada-Korea free trade agreement, nor giving Canadians access to 500 million new customers for their goods, services, and products with the Canada-European Union free trade agreement. None of these things would be happening.

The automotive innovation fund, which has created those thousand new jobs in Oakville, above the thousand jobs that were created as a result of that investment, that automotive innovation fund never would have existed.

So, I'm very pleased with where we are. We are growing as an economy. It was estimated we were going to grow at 2.1% this quarter. We're now growing at 2.8%. We have, as I said, the best job numbers in the G7. Eighty-two per cent of those jobs are full time, and 78% of them are high-paying jobs. We're continuing to go in the right direction.

I'm very pleased with the reports that we get back from observers who point time and time again.... When you have Shinzo Abe, Angela Merkel, President Obama, and Hillary Clinton, whom you cited earlier, all saying that Canada has the approach that the world should look to and that they should aspire to copy, I think we're doing the right thing.

I think equally it's true that the public knows this, which is why you see, frankly, the official opposition and their party collapsing in public support, collapsing in their provincial governments, and collapsing in federal support in the federal byelections.

The Chair: Thank you, Minister.

We are going to suspend now for two minutes while the minister departs and then we'll come back with the officials.

• (1000)

(Pause)

• (1005)

The Chair: Colleagues, we are back. We'll proceed now and with the time being a little under 45 minutes, we'll proceed a little bit more informally. That way there may be some who have questions and some who do not. I'll try to keep some balance. We'll begin with the opposition first.

Ms. Nash.

Ms. Peggy Nash: Mr. Chair, would you mind if Mr. Côté went first?

[*Translation*]

The Chair: Mr. Côté, you may begin.

Mr. Raymond Côté: Thank you, Mr. Chair.

My thanks to all our witnesses for being here to answer our questions.

My second question was about the major resources support program. I must admit that I can't see why the minister did not understand that the program is with the Natural Sciences and Engineering Research Council, which is still the responsibility of Industry Canada. I want to go back to that.

When we look at the supplementary estimates (B), the Natural Sciences and Engineering Research Council is requesting \$14 million in grants and \$845,000 in operating expenditures to increase the support for advanced research in natural sciences and engineering.

Will those amounts make it possible to reactivate the program I was referring to, the major resources support program?

Ms. Lisa Setlakwe (Executive Director, Industrial Technologies Office, Department of Industry): The major resources support program will not be reactivated. The Canada Foundation for Innovation has set up a component, with other programs, to support smaller organizations. Approximately \$25 million will go to that component, but the announcements have not been made yet.

Mr. Raymond Côté: Very well.

Let's get back to the magnet of the National Ultrahigh-field NMR Facility for Solids that I mentioned. We are still talking about state-of-the-art equipment, and the centre is under threat of closure. Based on my understanding of the articles in *La Presse*, it could be closed in a few days or in a few months. Will the centre be supported by the funding you were talking about? I suspect not.

Ms. Lisa Setlakwe: I am not able to tell you right now what the decision about the funding will be. The National Research Council of Canada also supports the centre. My understanding is that the NRC has signed an agreement with the organization. It will support it for some time and make sure that the centre is still in place in the short term to make it possible to determine the next steps.

Mr. Raymond Côté: Okay.

I could have referred to another salt water study proposal, which was cancelled in 2013, and Dalhousie University's Aquatron Laboratory whose survival is threatened.

Could you tell us what impact the major resources support program moratorium will have on basic research? What is the loss for Canada?

•(1010)

Ms. Lisa Setlakwe: I cannot comment on the other examples that you gave, but I can say that support for research and development in Canada is very important. We have recently announced a new investment in research to the tune of \$1.5 billion. Compared to the other G7 countries, Canada is doing very well. The results are visible too.

[English]

Our publishing numbers are ranked very highly internationally.

[Translation]

The investments that we make give great results.

Mr. Raymond Côté: Have I run out of time already?

Thank you, Mr. Chair.

[English]

The Chair: Mr. Lake.

Hon. Mike Lake: I wouldn't mind if you could take the opportunity to elaborate a bit more.

You talked about the support for R and D being very healthy. I have written a note here for you to touch a bit on the Canada first research excellence fund program. Could you give some explanation of that? That was in the most recent budget. I know there's work being done on that right now. Could you elaborate a little bit on what that is and how it impacts research, or will impact research, in Canada?

Mr. John Knuble (Deputy Minister, Department of Industry): The Canada first research excellence fund, which is a \$1.5 billion program over 10 years, was announced in the last budget. As indicated in that budget, it is to focus on excellence in university research. There is to be an announcement very shortly on this issue and how the process of taking applications from universities will happen.

Hon. Mike Lake: When you talk about support for R and D being very healthy, who is it that measures that? On a global scale, as we take a look at the research expenditures that are made in developed countries or countries around the world, what is the organization that looks at that? What are the metrics we're looking at? When you make that assertion that R and D is very healthy in Canada, what's it based on?

Ms. Lisa Setlakwe: The OECD is the organization that provides standardized measurements. I made reference to the G-7, so we're compared against that grouping of countries.

When we're adjusting for the size of our economy, Canada ranks first in the G-7 for its higher education expenditures. We also know through the Council of Canadian Academies, which has undertaken some studies itself, that Canada is also producing a disproportionately higher number of frequently cited articles than other countries. We also have in Canada the highest percentage of college or university educated adults among developed countries. Recently the CCA did another piece of work that showed that Canada ranks first on a science literacy index among countries with similar available data, just to name a few examples.

Hon. Mike Lake: For someone who might be watching this—I'm sure there are hundreds of thousands of Canadians watching this live at this very moment—who is not familiar with research funding and how research funding is delivered in Canada, could you walk us through the larger programs, the research envelopes, and what the sources of funding are that the Canadian government funds?

Ms. Lisa Setlakwe: Much of the federal research expenditures are through our granting councils. There's the Natural Sciences and Engineering Research Council of Canada as well as the Social Sciences and Humanities Research Council. To give you approximate figures, the NSERC budget is about \$1 billion and SSHRC's budget is nearly \$700 million. That's straight research.

In there, there's a combination of pure research and you will see investments in internships as well. If you look to other mechanisms that support that ecosystem, there's the Canada Foundation for Innovation that supports infrastructure that's needed to undertake research.

A third area that I would highlight is in terms of support to business. There would be a number of different programs, direct and indirect, available to support business. There was mention earlier of the automotive innovation fund. There's the strategic aerospace and defence initiative and the NRC industrial research assistance program, just to name a few examples.

It really is an ecosystem that spans from basic research to applied research and commercialization.

•(1015)

Mr. John Knubley: Mr. Chair, it's very important to recognize in this area as well that there was a study and a report by Tom Jenkins called "Review of Federal Support to Research and Development". This was tabled in 2011.

Since that time, there has been a series of budget announcements in 2012-13 that have really implemented the plan. That included a number of steps related to the scientific research and experimental development tax credit program, and the doubling of what's called IRAP, the industrial research assistance program.

We've also moved ahead to leverage our procurement processes and to change them to favour industrial benefits. We've launched the venture capital action plan of \$400 million. As part of this, of course, the National Research Council has undergone a transformation in terms of its focus and in terms of research and development.

The Chair: Ms. Nash and then we'll go to Ms. Sgro.

Ms. Peggy Nash: The aim of the strategic aerospace and defence initiative is to encourage innovation and product development, and increase competitiveness in Canadian businesses, but I note that both last year and this year, the program only spent 80% of its planned budget.

I'm wondering what the department is doing to improve the program to ensure that businesses are getting the support they need, because aerospace is especially very competitive internationally.

Can you tell me what actions the department is taking on this?

Mr. John Knubley: There are lots of actions and Lisa can tell you all about them.

Ms. Lisa Setlakwe: I fortunately manage that program so I can speak to it a little bit more closely.

You are correct in what you are saying. There are certain things that have been done. You will recall the Emerson report on aerospace that was recently released. One of the recommendations was in fact to improve some aspects of the program. We did do that. There were things like reducing the administrative burden. We've also made changes. For example, we've simplified the formula; we've increased the percentage of the federal sharing portion. We used to support 30% of eligible costs and now we are able to support 40%.

Also, one of the things we heard was that typically an R and D project will span over a five-year period, and we used to require that companies begin repaying the contribution one year after they were done completing their research and development. Companies were telling us that this doesn't give them enough time to turn around and commercialize that research and development or the results of it. We've extended the grace period before repayments begin for an additional year so that companies get two years before they are required to begin making repayments.

On a more practical level, we've also increased our outreach to companies. We've established close relationships with not only the aerospace and defence industry associations and stakeholders across the country but we also work closely with our federal partners to make sure that we are cross-referencing referrals. We'll work with the regional development agencies and their staff to ensure that we're in touch with the companies within their regions. Similarly, we'll do

the same thing with the NRC industrial research assistance program officers.

We are working on a number of different fronts to make sure that our program is known and is responding to the needs and opportunities that businesses face.

•(1020)

Ms. Peggy Nash: I have a follow-up question on that. One of the issues you talked about was the outreach to industry. One of the comments we had heard, and I think it came out of an evaluation a couple of years ago, was that there was low awareness of the program. How effective do you think the outreach has been? Do you have any sense of a dollar figure and how much money has been spent on outreach?

Ms. Lisa Setlakwe: I'd have to get back to you on the second question. We can certainly determine how much has been spent.

How good are the responses? After every outreach that we undertake—some of them are more formal than others; some of them are actually attending trade shows and such, and others are travelling and meeting with specific companies—we are seeing an increase in uptake in applications over the last few years. We have seen very tangible results, not with every single one, but we are seeing some increased uptake.

Mr. John Knubley: Maybe I would just add that I think in the broader context it has been the Emerson report, which involved a series of consultations for really a year-long period.... Obviously SADI is one part of the aerospace sector, but certainly Mr. Emerson and his fellow colleagues spent a lot of time looking at all of these issues and this would have given more profile to the SADI projects.

Ms. Peggy Nash: We could argue about it next year I guess.

The Chair: Thank you very much.

Madam Sgro and then over to Ms. Gallant.

Hon. Judy Sgro: I want to make a point that when we talk about the investments in R and D—and I appreciate all the investments that the department is making and all of that—the reality is that across Canada we have scientists doing massive letter writing, mailing, campaigns and rallies because of the lack of investment in R and D in Canada. It's not industry I'm referring to; I'm just talking in general of all across Canada, and it's a real rarity when you start seeing scientists start a letter-writing campaign.

On the issue of job creation, the minister mentioned the productivity concerns and so on. I recognize the department does a variety of different initiatives to look at how we can increase the productivity across Canada in various sectors. What is the department doing in particular on some of those sectors to deal with where those opportunities for investments are and what you can do to be promoting them and increasing productivity?

Mr. John Knubley: I'll give you a general answer and then turn to Phil to talk about the particular sectoral activity that we've got on under way.

In general it's the productivity problem and it's been this way for many years. If one of my predecessors, Kevin Lynch, were here, he would be telling you exactly the same story that I'm about to say. For many years Canada has been, as we indicated earlier, very strong in terms of its basic discovery research and very strong in terms of its highly qualified personnel, but where it falls down is under investment in terms of business R and D, in commercialization, and bringing ideas from a lab to the marketplace.

This has been the focus of many studies, but most recently the Tom Jenkins report which I referenced earlier.

The initiatives that I referenced earlier, for example the transformation of NRC to focus on a more business-led applied research approach, is part of the attempt to address this weakness that has been in Canada for many years in terms of commercialization.

The government's investments as well, in terms of \$40 million on incubators where we're trying to encourage the growth of startups, which are high growth and oriented to the marketplace, is another area where for example we're trying to address this weakness in the productivity side of things in relation to business R and D and investments.

I'll let Phil talk specifically about the sectoral approaches that we take. Phil is the assistant deputy minister responsible for the sector that deals with all of the individual sectors. It's called the industry sector and that's what they work on.

• (1025)

Mr. Philip Jennings (Assistant Deputy Minister, Industry Sector, Department of Industry): To start at a high level, investments in innovation is a key part to how you can address the productivity challenges. What the government has been doing, and partly through advice that we're providing, is trying to figure out how we can get better outcomes from the money that we support in terms of investments that are made by the private sector.

We're trying to, as John was mentioning, turn early stage R and D into commercial products that are developed and manufactured in Canada.

When David Emerson did his report on aerospace, one of his key conclusions was that there was a lack of federal programs in the space between basic R and D and commercialization, or what he called the valley of death. There's a lot of federal programming at the front end and some in the back end. One of his key conclusions was that we needed to have more programming that allows companies to make those difficult and costly, and leap of faith investments between the early to that.... He recommended, and the government did adopt that recommendation, to create a technology demonstration program. It's about trying to bring those innovations and trying to increase productivity.

The other part of it is about trying to get better value for the dollars. One of the key criteria for that program is about trying to demonstrate that you're working with a supply chain and that you're also working with academia. You're trying to make sure that the R and D has better value than just to one firm and you're trying to widen that out.

That's just one sector. In space through the same report, but in a different volume, he recommended that the Canadian Space Agency double its investments in terms technology and investments in industry. That recommendation was also adopted by the government.

In the auto sector, which was talked about earlier, the initial tranche of money, \$250 million that was announced in 2008, was over-subscribed and the government has since made two announcements about topping up that fund. That's geared towards trying to bring better innovation in the auto sector. A number of OEMs and some key Canadian suppliers have taken advantage of that to increase our productivity.

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

Madam Sgro. We're way over. It's about six minutes, so we're way over.

Madam Gallant.

Mrs. Cheryl Gallant: References have been made to supporting different R and D. When a company does accept funding for R and D from the federal government, to what extent must a company surrender intellectual property rights to the government?

Ms. Lisa Setlakwe: Generally, the federal government does not take ownership of intellectual property. It may differ from one program to the next. I'll give you an example under the strategic aerospace and defence initiative. We do not take ownership. We require that the company maintain the ownership, that they protect the intellectual property, such that they are able to benefit from it and capitalize on it. There are no requirements that we own it. I think in years gone by we were in that business, but we got out of it. We let the companies perform their R and D and make sure they use the intellectual property toward commercialization.

• (1030)

Mr. John Knubley: I think that's just a strong recognition today that what we're trying to do—and it relates to this commercialization issue—is to encourage firms to develop their intellectual property and use it.

Mrs. Cheryl Gallant: Industry Canada is requesting an extra \$12.9 million to “support operational requirements due to declining repayments under the Defence Industry Productivity Program”. What are the main reasons for the declining payments?

Mr. David Enns (Chief Financial Officer, Corporate Management Sector, Department of Industry): The main reason for the declining payments has to do with the aging product lines that are associated with those legacy programs. Some of those programs date back 50 years. There are royalty repayments on the products that are sold and with time, those revenues have decreased.

Our budget is dependent to a degree on repayments from those programs, \$33 million. You'll see there are two items in the estimates on page 52 that relate to that, first to the reinvestment of revenues received. That's the \$20.1-million figure you'll see there. Those are the actual repayments we received. But the department has the authority to access up to \$33 million in funding, so that \$12.9 million reflects the difference between \$33 million and the \$20.1 million that we collected in the prior year.

Mrs. Cheryl Gallant: The request from Industry Canada similarly declined when repayments increase?

Mr. David Enns: Yes. The \$33 million is both a floor and a ceiling. If the repayments exceed \$33 million, they are returned to the fisc; if they are under \$33 million, then we are compensated from the fiscal framework.

Mrs. Cheryl Gallant: Okay.

The National Research Council of Canada's requesting \$6.4 million "to help outstanding and high-potential incubator and accelerator organizations expand their services to entrepreneurs". What methods do you use to measure the impact of these grants and contributions on the services provided to Canadian entrepreneurs?

Ms. Lisa Setlakwe: This program is just getting launched. Fifteen incubator accelerators have been approved for funding. Not all have been announced yet. Ultimately, the funding will allow for these organizations to mentor and provide advice to these high-potential companies—in some cases they may physically house them—and also put them in touch with key networks, whether financing or marketing networks, whatever the case may be. The objective is that the companies will grow. In some cases success will look like companies that are able to access capital that they may not have been able to do on their own. I don't have the particular performance measurement strategy that's associated with the program, but we can provide that.

Mr. John Knubley: I think typically as well there would be an evaluation after a reasonable period. A concrete example of these incubators is Communitech in Waterloo. These kinds of incubators have been quite common in Silicon Valley and have been very successful. I think we're quite pleased to see how many incubators have been successful in this new program. They offer real opportunity, I think, in supporting these dynamic start-ups, typically owned by younger people, to be successful and to grow to be larger companies.

The Chair: Thank you.

We have 11 minutes to divvy up, so you just have one question each.

Mr. Warawa, go ahead.

Mr. Mark Warawa: What kind of time are you allotting to each?

The Chair: Three minutes.

Mr. Mark Warawa: Thank you.

I would like to ask a question about the spectrum auction, and why the critics underestimated it. Before I do that, I'll just make a quick comment.

The minister highlighted that there are 43 free trade agreements now. Previously, under the decade of darkness of a previous Liberal government, I think there were three. Obviously, it was not a high priority for the government of that day. The NDP, of course, has a track record of not supporting free trade agreements. I think we've seen a tremendous growth in the free trade agreements, because it has been a priority of Canadians to improve trade.

We highlighted the Detroit-Windsor bridge. That highlights the priority of the government for trade, and not just trade into the U.S., our biggest trading partner. I'm from the Vancouver area, and Vancouver is one of the major gateways for trade into Canada and

trade with Asia. We've announced the free trade agreement with Korea, and we'll continue with China and Europe.

Trade is growing exponentially under this government. That means lower costs of goods, lower taxes for Canadians, and a bright, bright future if we continue to head in this direction.

One of the major accomplishments that I am so pleased about is the spectrum auction. That means more choice for Canadians. It also means lower prices for Canadians. I know Canadians like that. I am constantly hearing how happy they are with the lowering of prices.

Why was the amount that we would get from the 700 megahertz spectrum auction underestimated? I believe it was \$5.27 billion that we got from that. Why was it so underestimated by the critics?

• (1035)

Mr. John Knubley: I'll let Kelly explain in detail.

As you noted, the main objective of the 700 megahertz auction, or indeed any auction, is to promote competitiveness and to provide more bandwidth, if you like, to the various companies. The revenue goals are not the prime focus of the auctions themselves. Of course, they are of great interest to my colleagues in the Department of Finance and to Canadian taxpayers.

I'll turn it over to Kelly.

Ms. Kelly Gillis: As Mr. Knubley said, we don't set revenue projections. When we look at an auction, we look at the context of the dynamics within the sector overall, of what policy objectives on access, investment, and competition we are trying to achieve.

For this particular auction, it's sustained competition and access. This was a really good spectrum. It would go far. It would go through buildings. It would be great for Canadians to have access to it across the country, because it penetrates buildings. It's great for rural, as you would need fewer towers to deploy it.

We were hoping that it would get out, that people would buy it, and that it would allow for a sustained fourth player across the country. We are very pleased that of the 98 licences, 97 were sold across the country, allowing for a fourth player to have this great spectrum to be able to deploy and provide services to Canadians.

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

You may ask one brief question, Mr. Côté.

[Translation]

Mr. Raymond Côté: Thank you, Mr. Chair.

I would be remiss if I passed up the opportunity to talk about Statistics Canada.

In the supplementary estimates (B), there is an adjustment of \$3.9 million in capital expenditures for the planning, design, development and testing of questions, systems and processes for the 2016 census of population.

Clearly, after the changes made to the procedures, everyone was able to see the shortcomings of the 2011 census.

Could you tell me what shortcomings were pointed out to you by the users of the Statistics Canada data and what you intend to do to correct them for the 2016 census?

Mr. John Knubley: I think we are talking about the future here.

Mr. Raymond Côté: That's right.

[English]

Mr. John Knubley: Again, I think these are questions that are best put directly to Statistics Canada. We can take this question on board and come back to you with a specific answer.

Having worked on the preparations for the 2016 census, I know that these are the issues that are at play.

[Translation]

Mr. Raymond Côté: Very well.

[English]

The Chair: Thank you very much.

Ms. Bateman.

Ms. Joyce Bateman: Thank you to all of our witnesses for being here. I really appreciate the work you do. I appreciate the difference you're making in terms of our positioning in the G7. We're all part of the same team here, and you're making a huge impact.

There's one specific part of the minister's remarks that I would like to zero in on. We really have had tremendous growth in the economy since the recession, particularly in manufacturing. You know, it was predicted maybe a decade ago that we wouldn't have much manufacturing. We thought this was an area on the decline. Clearly we have experienced tremendous growth in this field.

I believe the minister said manufacturing accounts for more than \$166 billion of our GDP. I thought it was "million", but it's "billion". That's 10% of all economic activity in our country. The industry also employs 1.7 million Canadians, and most of them, I understand, enjoy having a full-time job and it's good pay.

Could you explain this? I'm particularly interested in how you are supporting this sector and how you're using.... The estimates indicate that this year you're giving some \$294,000,000 to the Atlantic Canada Opportunities Agency, \$252,000,000 to the regions of Quebec, and \$161,000,000 to western diversification. I've rounded off the figures. In the context of the manufacturing industry, how are you working in partnership with those regional agencies, which are clearly being well funded under this set of estimates, to make a difference for all Canadians and tap into these new trade markets that we have clearly opened up recently?

• (1040)

Mr. John Knubley: I'll start and then let Philip Jennings help me out here.

As you said, Canada's manufacturing sector directly contributes 10% to 11% of our GDP and employs over 1.7 million Canadians. Why it's so important, though, is that typically manufacturing is about innovation and also is oriented to exports. In terms of innovation, the manufacturers account for almost half of the total R and D expenditures in Canada among all firms. I believe it is the

most export-oriented area of firms in comparison to services or more commodity-based firms.

Minister Moore always refers to the manufacturing sales in Canada and how they have risen by 2.5% to \$54 billion in July, and this really has been a pattern that has been in place now in five of the past six months. This is very positive. It's showing that manufacturing is rebounding.

In terms of the question on regional development agencies, I formerly was a vice-president in the Atlantic Canada Opportunities Agency. Typically I meet, as deputy minister of Industry Canada, with my colleague deputies from time to time. They have quarterly meetings, so this year I think I've been twice to their quarterly meetings. They focus very much on supporting businesses in the various regions of the country. Their programming is somewhat different from region to region, reflecting the different needs of those regions. However, overall it's fair to say that they are focused on promoting manufacturing because of its innovation and export orientation.

Ms. Joyce Bateman: How do you work specifically in partnership to achieve that goal and to ensure no overlap?

Mr. John Knubley: Well, a very concrete example is the advanced manufacturing fund, which was raised earlier, where we are hoping to soon come out with announcements in that area. The department has been working very closely, in fact, in reviewing the projects related to the advanced manufacturing fund in partnership with FedDev Ontario, which administers the advanced manufacturing fund.

Philip, is there anything you wanted to add on this?

• (1045)

Mr. Philip Jennings: Yes.

I'll just mention that in terms of the advanced manufacturing fund, we have a formal arrangement with that agency. For certain elements of the proposals they essentially draw on our expertise to be able to add those insights in terms of their review of the projects. However, there are other programs that other agencies also run where from time to time they actually do consult with Industry Canada and work with us in terms of trying to add in that perspective.

We also have other departments, such as Natural Resources Canada, that run programs where they actually draw on the expertise that exists in the industry department to be able to essentially get some advice on, for example, the market relevance and potential of what is being proposed, or the innovation potential that we see given the sector-specific expertise that exists in the industry department.

The Chair: Thank you very much. That's all the time we have, colleagues.

On behalf of the entire committee, thank you very much for your very concise and spot-on answers. There are a couple of follow-ups. I'll wait to receive those from you, and I'll distribute them to the committee.

The meeting is adjourned.

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