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Chair

Mr. Dan Ruimy

Standing Committee on Industry, Science and Technology

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• (1540)

[Translation]

The Chair (Mr. Dan Ruimy (Pitt Meadows—Maple Ridge, Lib.)): Good afternoon, everyone.

[English]

Welcome everybody. We're going to get started. We're about 10 minutes behind because of housekeeping at the House. We're going to get right into it.

We have some great witnesses with us.

Today we have from Unifor, Jerry Dias, the national president. We have from Ford Motor Company of Canada Limited, Diane Craig, president and chief executive officer; Caroline Hughes, vice-president, government relations; and Steve Majer vice-president, human resources.

Then all the way from the other side of the coast we have from Electra Meccanica Vehicles, Jerry Kroll, chief executive officer, by video conference from Vancouver.

We'll go right into our presentations, so not more than 10 minutes each. We'll try to make up some time.

We're going to start off with Mr. Kroll from Vancouver.

Mr. Jerry Kroll (Chief Executive Officer, Electra Meccanica Vehicles): Good afternoon, everybody. I'm Jerry Kroll, chief executive officer of Electra Meccanica Vehicles in Vancouver, which is a Vancouver-based electric vehicle manufacturing company with operations in Vancouver, New Westminster, and Victoria, with approximately 15 employees, the majority of whom are mechatronics engineers and staff. Since 1959 the company has been building hand-built sports cars of great note.

We are currently setting up for the mass production of our newest vehicle and first mass market vehicle, the Solo, which is an innovative, one-person electric commuter vehicle, similar in the environmental footprint to the Tesla, with zero emissions, but with the unique characteristic of being a one-person commuter car.

Our story is one of innovation and experience, using the 57 years of our history of manufacturing hand-built sports cars and turning it to the 21st century of avoiding fossil fuels in vehicles and creating a vehicle for the 83% of commuters who travel by themselves less than 30 kilometres each way currently in a fossil fuel vehicle with four to seven seats.

We are local. We are a Canadian company. All of our designs are house produced. All of our technology is Canadian technology, and we have over 50 years of experience among ourselves.

If you're looking at the slides, there's an image of the Solo. We are now nearing a production, which we can do at our existing facilities, of between 10 and 20 vehicles per month. This is good. It shows people the technology. They can experience it, but it's not going to make much of a difference in battling global climate destruction. For that we need to ramp up our production, ideally in Canada, with something similar to the clean industry development loan that was provided by the U.S. government to Tesla, resulting in a company, Tesla, with an over \$30-billion market cap, employing over 10,000 people in clean business technology, and building arguably the best car in the history of the car.

We are either going to receive support in building our vehicles and assembling our vehicles in Canada for mass production, or we will have to go offshore to India and China to meet the kind of numbers, 100,000 plus per year, to make a difference.

EV sales in Canada were up by 32% in 2015. Our cars, although not even displayed yet, but rather just the images of them, have procured for us over 20,500 reservations. That's over \$400 million of potential business that we can either manufacture in Canada and deliver from here, or manufacture offshore and deliver around the world without ever touching Canadian soil. As proud Canadians, we would rather have the jobs here in Canada than have the product we've designed manufactured offshore.

Our R and D department will, one way or the other, remain in Vancouver and remain in Canada. The opportunities and challenges looking forward is that while Canada remains a place for innovation, and a place where new ideas come forward, the manufacturing sector does not seem to be supported that much in Canada, resulting in products being manufactured offshore. A policy looking for Canadian innovation that addresses more than just manufacturing products, but manufactures clean energy products for tomorrow's economy, would make lots of sense.

• (1545)

Recapping the template we're seeking to emulate here in Canada, in 2010 Tesla received a milestone \$465-million clean energy loan from the U.S. government. They have grown the company to in excess of a \$30-billion market cap and have repaid their entire loan three years early with interest. It's a textbook example of support leading to jobs and industry in a country, in California, a place not known for automotive manufacturing.

Other countries, like Norway, have enormous support for electric vehicles but primarily targeted toward the consumer purchasing the vehicles with tax credits and having the allocation to drive in HOV lanes.

In Canada, we have tax credits in B.C. for the buyers, tax credits in Ontario, but for the actual manufacturing of electric vehicles in Canada, there is no support I'm aware of.

The proposed solution would be financial support following the template so successfully executed by Tesla in California, having fleet demonstrations in support of export of this fine product, and manufacturing support in the form of loan guarantees, low-interest loans for major purchases being done offshore, and then expert support for other areas, which could be targeted with a clean energy, small footprint commuter vehicle.

That's my presentation.

The Chair: Thank you, and I look forward to seeing your cars.

We're going to move on to Unifor. Mr. Dias, you have 10 minutes.

Mr. Jerry Dias (National President, Unifor): Good afternoon. My name is Jerry Dias. I'm the national president of Unifor. With 310,000 members across the country, we are the largest union in Canada's private sector, and more than one-third of our members are in manufacturing.

Unifor represents 86,000 members in advanced manufacturing, including auto assembly, auto parts, aerospace, shipbuilding, public transportation equipment, electronics, food and beverage, and the list goes on. We have another 45,000 members in value-added resource manufacturing industries, including metals, forestry, and petroleum products.

On behalf of these members and their families and communities, I welcome the opportunity to share our views on the challenges, opportunities, and policy needs of this absolutely vital sector of the economy. I think it is also important to note that this conversation here on Parliament Hill is long overdue. It is certainly refreshing to see a government in Ottawa prioritize the manufacturing sector in the work of this standing committee, identifying manufacturing as of strategic importance to the economy, and to work with colleagues from all parties to realistically assess the situation, craft solutions, and make progress.

I cannot emphasize enough that this is such an important change in outlook. As you will hear in my remarks, you all have an incredibly important role to play as policy-makers to build the success of Canadian manufacturing.

I am sure that by now you have been well briefed by all of your policy experts and have been hearing from every witness at this

committee about the importance of manufacturing, so I will not spend too long on that, other than to add my voice to those that keep reminding our elected representatives about the vital role of manufacturing in the wider economy: 11% of GDP, 1.7 million direct workers in decent jobs, two-thirds of Canada's exports, and 80% of private R and D spending. I want to emphasize that manufacturing is in fact not yesterday's industry, but rather it holds the potential for our future.

Given the latest crash in commodity prices, oil prices in particular, I hope that the lesson has finally been learned that Canada needs a balanced economy. We cannot sustain just by digging stuff up and selling it, nor can we just serve each other coffee and sell each other shoes in the service sector and call it a viable economy. Canada needs to make things. We need to apply our knowledge and expertise, we need to add value to our resources, and we need to continue to be world leaders in advanced technology, productivity, and innovation.

By the way, we already do all of this. I am here today after a lost decade for Canadian manufacturing. We have lost a lot of ground and squandered a lot of opportunities. Although manufacturing in Canada is very diverse, a common thread just about everywhere over the last decade has been the near complete failure of federal policy leadership, a period in which more than 450,000 manufacturing jobs have been lost, or nearly one out of four. In all that wreckage, tens of thousands of our members lost their jobs. Over this period, the former federal government's stance toward Canadian manufacturing was overwhelmingly characterized by the absence of effective and balanced industrial policy, a lopsided focus on unsustainable commodity exports, an absent monetary policy that made current surges and crashes worse, and an ideologically driven and naive international trade agenda. At its most critical moment, this absence of leadership coincided with the global financial crisis and recession, as Canadian manufacturing experienced steep cuts to capacity, staggering job losses, and declining investment, resulting in a structural shift that has dealt Canada out of far too many next-generation investments.

Despite these damaging actions and consequences, the resiliency of Canadian firms and workers shows that these strategic sectors still retain world-leading advantages here in Canada: enjoying top quality, seeing record levels of productivity, benefiting from a dedicated and highly skilled workforce, and operating with internationally competitive cost structures.

I am sure you have been hearing many voices and many perspectives throughout these hearings. I would like to offer just a few words about the role of the labour movement and the voice of workers in this conversation. Our interest in the success of Canadian manufacturing is, of course, at one level, about our members' jobs and livelihoods, but over many decades we have seen the larger picture and pushed hard to partner with industry, as well as governments, for policies that support innovation, enhance productivity, spur investments, and bring leading-edge technologies to Canada.

At times we hear from some commentators that somehow labour is just a special interest or even that we are a barrier to the success of Canadian manufacturing. I suggest that there is no one more interested or more invested in the success of the manufacturing sector than our members. We are far more invested than stockholders or government policy-makers.

• (1550)

Beyond our paycheques, our members are also proud of the work they do, proud of what they make, proud to contribute their skills, efforts, and knowledge to the success of their employers.

You have in front of you Unifor's formal submission to this committee entitled "Strong policies: the missing ingredient for Canada's manufacturing success", which lays out a series of specific proposals in several key industries important to Unifor. I will not walk you through all of this in detail at this stage, or with the time I have here this afternoon. I will leave it for you to go over more carefully, and point out that there is a long list of specific, concrete, and actionable proposals. Rather, I'd like to use the short term to raise six broad points for you to think about in terms of manufacturing and the role of government.

First, I would like to emphasize that Canada already has a dynamic and innovative manufacturing sector that is the envy of the world. We are home to nearly every kind of advanced manufacturing, from automotive to aerospace, biotechnology, electronics, public transit, and more.

We have world-leading manufacturing that adds value to our wealth of natural resources in the metals, forestry, food and beverage, and petroleum products industries. We are integrating into a continental market with the world's most valuable economy. We have among the highest-skilled workforce in the world. We are home to dozens upon dozens of operations of leading global firms, and have developed strong clusters of innovation in several sectors. From that standpoint of economic development, what we have already, everybody around the world wants. It is incredibly valuable, which means we need to understand that governments in every other country in the world are busy trying to get it.

My second point is that Canada is missing a huge opportunity and needs to deepen the connection between value-added manufacturing and our wealth of natural resources. Canada is blessed with an abundance of natural resources of every kind: oil, gas, minerals, forests, agriculture, and more. Yet for far too long we have been in the position of a global supplier of raw materials, and not pushed far enough with pursuing much more value-added manufacturing.

Just think about the missed opportunities for every major resource we have. In the metals and mining industry, why are we so content just to dig it up—so much of it—and ship it out as raw ore for others to refine in turn into valuable metals and products? Why are we not world leaders in every aspect of metal production, fabrication, and leading the world in lightweight materials technology? In forestry, it is the same dynamic. We ship our raw logs and unprocessed pulp around the world. Why don't we lead even more as the global supplier of all paper products, wood products, and advanced environmental building materials? Why are we not the world's leader in furniture manufacturing?

In energy, we are too content to focus on exporting unprocessed resources, rather than focusing on refining products here in Canada and supporting stronger petrochemical and plastics industries. Canada needs to prioritize the strategic advantage we have in natural resources to ensure that we add value, and that more of the benefits stay here.

The third point is that the terrain for manufacturing success around the world is increasingly about policy. We have so much potential, but it's not being realized. Around the world we see manufacturing success. We are increasingly seeing strong and sophisticated policies. We see active public partnerships and strategic investments. We see a leadership role for government and labour force development. We see smart and creative leveraging of access to natural resources that is designed to secure long-term economic development. In every other leading manufacturing jurisdiction, we see a strong role for active government to develop and possibly even steer the long-term future. It seems that only in Canada do we cling to some naive belief that the only job of government in relation to manufacturing is to get out of the way. That kind of thinking may have been around for a long time, but not only is it wrong, it has never been true, even in the most supposed free market economies like the United States.

In global rankings of country brands and brand image, Canada always gets top marks. Certainly we have a strong economy and decent living standards for most citizens, and we are known around the world for being nice. That is certainly a good thing, but we are also naive. When it comes to important policy initiatives that deal with global corporations or trading with other countries, we are far too often known to be the boy scouts, believing a bit too much that everyone else is playing nice, and governments elsewhere are also just staying out of the way of industry.

Think for a moment about the role of government in the key economies of the EU. Think about Germany and France. Think about the role of government in Japan and South Korea. Think about all of Scandinavia. Think about government's role in manufacturing in China. Around the world, governments play a vital role in forging a vision, providing long-term direction, engaging with industry, and enacting strong policies. It is time Canada did the same.

• (1555)

My fourth point is that when it comes to manufacturing, governments in Canada at all levels need to get some guts. What do I mean by that? Not only do we need to up our collective game in terms of active policy, but we need to put in place the people with the mandate and resources to really engage with world-leading global manufacturers.

I hear from across the manufacturing sector that our approach is about having an open door, and that we are always ready to listen to potential investors, or that we're good at booths at trade fairs. But that's not enough. In many of the most important manufacturing sectors, those with the most valuable investments to make, with the biggest benefits to our economy, it is really the big leagues....

The key decisions are made around the world in Detroit, New York, Tokyo, Seoul, Frankfurt, New Delhi, Sao Paulo, or Beijing. These companies are looking elsewhere. They are talking to everyone and they're being courted by everyone. What I hear over and over again is that Canada just does not have the capacity to really engage with these global firms. This is no knock against the people we have in place now; they just do not have the right tools or mandate.

Governments in Canada are too afraid to lead and to play with the big players. That is in part why our policies focus so much on small and medium enterprises, and on incubators and hubs, and on university-industry research partnerships. All this is great stuff. Seriously, these are important, but it is easy stuff and it is not enough.

From where I sit, having watched more than 30 years of a political push for a certain kind of globalization so that money and technology can more easily move around the world, I find it ironic that those who really push these ideas are also the ones in Canada who do not want to play on the world stage that they have created. I encourage you not to be afraid to lead, to get some guts and to get out there.

Fifth, just to dispel any myths that may be out there, Unifor is entirely in favour of global trade. More than one-third of our members work in sectors that are dependent on trade.

• (1600)

The Chair: Mr. Dias—

Mr. Jerry Dias: Dianne has promised to give me two of her minutes. I'll be quick.

The Chair: We're a little over, so if you can, try to wrap it up quickly.

Thank you.

Mr. Jerry Dias: I'll wrap it up.

We need to be clear. We are not in favour of signing bad trade deals, weak trade deals, and deals that undermine our existing industries. We are certainly not in favour of signing deals that put more limits on our ability to have smart industrial and public policies, the kinds of policies that other governments enact around the world.

When it comes to trade, we see the same naive belief.

We need a manufacturing policy here in Canada. We need to find a way to talk to the Ford Motor corporations of the world and other major corporations that can create the types of innovations and jobs that are so important here in Canada.

Thank you.

The Chair: Thank you very much.

We're going to move to Ms. Craig. It's all yours.

Ms. Dianne Craig (President and Chief Executive Officer, Ford Motor Company of Canada Limited): Thank you, Mr. Chair.

Thank you, Jerry.

Good afternoon everyone. I appreciate the opportunity to share, from Ford of Canada's point of view, some of the challenges we're having with manufacturing in Canada.

To give a background on Ford Motor Company, globally we're an industry leader with 199,000 employees and 67 plants worldwide. We sell to more than 200 international markets around the world.

We were founded in 1903, so we have a very long history. Canada was the first international expansion for the Ford Motor Company. This happened a year later, in 1904. We have a very long and proud history as well. We have been a part of Canada's economic fabric for 112 years, providing high-quality jobs that build and sustain Canada's middle class.

Ford of Canada employs over 8,200 men and women. We have an assembly plant in Oakville. We have two engine plants in Windsor. We have two R and D centres. We have two parts distribution centres. We have sales offices across Canada. We also have Ford Credit Canada, which is our financing entity.

Ford makes purchases of over \$5 billion annually from parts suppliers located across Canada, to support both our Canadian and our global operations. We have a network of 425 dealers that are located across communities, representing 19,000 employees.

Throughout our history in Canada, Ford has made significant investments to innovate and upgrade our vehicle and engine production to ensure that our Canadian operations are globally competitive and thriving. These investments in our manufacturing operations have also included substantial investments in research and development, and innovation in Canada.

Since 2000, Ford has invested over \$12 billion in our Canadian operations, including a \$500-million investment in 2008 to reopen our Essex engine plant, which was the only Ford plant in North America that reopened during the crisis. There were 21 assembly plants in North America that closed during the crisis, and Essex was the only one that reopened. The St. Thomas assembly plant closed in Canada. Jerry knows as well as we do how painful and how tough that plant closing was.

The good news is that Ford is currently completing a \$700-million investment in Oakville to produce the Ford Edge and the Lincoln MKX. This is an innovative global platform for export markets. Today we are building the Ford Edge with right-hand drive and a diesel engine for export to Europe. This just started in December. We're quite excited about it.

Trade and the ability to export or import vehicles is fundamental to Ford's business. Today, on a global basis, Ford exports over 40% of the vehicles it produces worldwide. Even more important to Ford of Canada, 100% of engines built in Canada and 90% of our vehicles built in Canada are exported to 100 countries around the world. While the U.S. remains an important market for Canadian-produced vehicles, we have demonstrated that we can build products for markets around the world.

For example, in 2014, Ford exported to China 21,000 Edges which were built in Oakville. This represented an export value of over \$600 million. Today, exports of the Lincoln MKX built in Oakville for China represent 30% of the MKX production in Oakville.

Ongoing investments to continually innovate Canadian assembly plants are critical to maintaining the competitiveness of the Canadian auto sector. Investments in new advanced technologies, processes, and innovation in the auto sector occur primarily during the investments to the present facilities that need to be upgraded. However, securing new investments for Canada has become extremely difficult, due to the fact that Canada has become a high-cost jurisdiction for manufacturing, especially given the realities of the global competition for auto investments.

Countries around the world aggressively compete to win and maintain automotive production mandates because governments recognize the importance of economic spinoffs that are driven by automotive production.

For example, a study by the Center for Automotive Research recently concluded that each job in automotive assembly plants will create anywhere from seven to nine spinoff jobs for the supply base. Our sector is highly independent on the supply base as well, so that's also very important

However, recently—I mentioned those investments, which we're really quite excited about—Canada has been unable to attract new auto investments at the same pace as other countries. According to a recent news article, in 2014, a total of \$18 billion in new auto investments were announced for North America. Of this amount, \$10 billion was announced for the U.S., \$7 billion was announced for Mexico, and \$1 billion was announced for Canada, of which Ford of Canada was a part. Clearly, we are missing out on an important opportunity.

● (1605)

Recent data from Statistics Canada indicates that for 2014, manufacturing was the second largest contributor to Canada's GDP at 11%—which Jerry mentioned—only behind real estate.

These trends are very concerning.

In order to maintain a vibrant and competitive global manufacturing sector, Canada needs a strategic plan that, first and foremost, recognizes manufacturing as a fundamental cornerstone of a healthy economy and that identifies policies to maintain and potentially grow Canada's manufacturing sector.

To be successful, all government policy at the federal and provincial levels should be evaluated through a lens that considers its impact on the cost of manufacturing in Canada, as well as the benefit to manufacturing in Canada. To achieve this, it is important that all stakeholders work together to develop the best possible case for Canada. Productivity will be critically important to achieving a globally competitive business case to invest in Canada as a high-cost jurisdiction.

For Ford, this means working with our partners at Unifor—we have a great relationship with Jerry—to achieve a labour agreement that delivers globally competitive operating costs, high levels of productivity and throughput, and flexible operating patterns that allow our Canadian plants to maximize capacity utilization.

Government also has a role to play. As mentioned, governments around the world aggressively pursue automotive investments because of the important economic spinoff benefits and because of the ability of the auto sector and manufacturing in general to create and sustain middle-class jobs. It is vitally important that Canada's strategic approach to attracting and securing ongoing automotive investments keep pace with competing jurisdictions around the world in order to be successful.

From Ford's perspective, we would like to provide just two very specific recommendations that we believe are important when developing a successful manufacturing strategy for Canada's auto sector.

First, we appreciate the extension of the federal automotive innovation fund. The AIF has been important in Ford's ability to secure recent investments in Canada. However, the structure of the AIF needs to be changed in order to make the AIF more effective and competitive with other jurisdictions.

For example, currently the AIF provides repayable contributions, or loans, which are taxed as revenue in the year in which the loans are received. This substantially reduces the value and the effectiveness of the AIF, which again is not competitive with other jurisdictions.

Second, trade policy matters. At Ford, we have demonstrated that Canada can successfully produce vehicles for export to countries around the world. However, a key component to the success of an export strategy is the willingness of the export market to allow Canadian imports. Ford has been selling vehicles in global markets for over 100 years. Based on our experience, not all countries are willing to open their markets to automotive imports. Japan and South Korea remain the two most closed vehicle markets in the world among auto-producing nations. This is a trend that stands out within the highly integrated global auto sector.

Ford supports free trade around the world because we see trade as it is, a business transaction that should provide for comparative advantages, enabling a business case to invest in Canada. Trade allows companies like Ford to leverage their manufacturing scale. However, in order to deliver real benefits to the Canadian economy and successfully support Canadian manufacturing, trade agreements should enhance export opportunities and level the playing field for Canadian manufacturers and workers.

Most recently, with the TPP and the South Korean free trade agreement, we were very disappointed with the outcomes of both.

The TPP specifically falls short on two very important points. Despite the highly integrated nature of the Canadian and U.S. auto sectors, Canada accepted an accelerated tariff phase-out of five years, five times faster than the auto tariff phase-out that was agreed to in the U.S., 25 years for cars and 30 years for trucks. Both of the U.S. tariffs are back-loaded. It is very uncompetitive with the U.S.

Also, the TPP failed to include strong and enforceable currency disciplines to address currency manipulation. We know there are governments that manipulate their currency, including the Japanese government. That is why we have been extremely strong in making sure we have currency disciplines in the TPP.

The bottom line is that the automotive terms in the TPP will not increase Canadian auto exports in any meaningful manner. Instead, the TPP puts the automotive manufacturing footprint, which already faces competitive challenges, at further risk.

We look forward to continuing to play a vital role in terms of anticipating whatever influence we can have on the outcome of the TPP.

• (1610)

In summary, manufacturing is critically important to Canada's economy, but we believe Canada is at an important inflection point when it comes to manufacturing. The year 2016 is going to be a critical year for manufacturing in Canada. We're going to work with our Unifor partners to make sure we get a competitive labour agreement, but we also look forward to working with all of you, our government colleagues, to achieve a manufacturing strategy that ensures that Canada's auto sector can and will continue to be a strong competitive cornerstone to Canada's economic success.

Thank you for your kind attention.

The Chair: Thank you very much. You're only 30 seconds over.

Mr. Jerry Dias: I was going to give her two of my minutes.

The Chair: You had none. You were two minutes over.

All right, we're going to jump right into it. Mr. Longfield, you have seven minutes.

Mr. Lloyd Longfield (Guelph, Lib.): Thanks, Mr. Chair, and thanks, everyone, for being here virtually and in person.

That's an interesting looking business on the west coast. I want to try and get to that during my time, but first I want to mention that I am part of the automotive caucus for the Liberal Party, and we're looking at presentations from all different parts of the sector.

We had an interesting presentation this week from Dennis DesRosiers, looking at the history of automotive manufacturing and output since 1945. He was showing us a pent-up demand for vehicles. There are a lot of vehicles that are 10 years old. Prior to the recession that we went through, people had bought vehicles; then there's a gap, and now there's some pent-up demand.

Unifor or Ford Motor, could you talk about how you're seeing pent-up demand in terms of developing the workforce you're going to need and what challenges that might present to you as we go into the next economic cycle?

Ms. Dianne Craig: I can speak to the industry. We have experienced a record industry of automotive sales since 2012. The record was broken in 2012. It was broken again in 2013, broken again in 2014, and broken again in 2015. Our forecast for 2016 was that the industry would be flat versus 2015, and so far, the industry has been on fire this year. It's already up 6%, so it's much stronger than we had anticipated. It has been great for Ford. The segmentation is moving toward full-size pickups, CUVs, and SUVs. For our business it has been strong.

I'm not sure how that would impact jobs, but it's great for our industry, and it's a good economic indicator.

• (1615)

Mr. Lloyd Longfield: Sure. Sorry to steal a little more time, but in terms of jobs, we see a 16% increase in the numbers of jobs, but a 72% increase in output over a period of time. It looks like productivity is improving, but it doesn't always translate into jobs.

Mr. Dias.

Ms. Dianne Craig: Right, but let me just add, at Oakville, which is a great example, the production and the demand for CUVs and SUVs, whether it's in North America or Europe, has been strong. Today we have 5,200 employees working out of Oakville. That is much higher than we had anticipated, and a lot of that is related to the demands, so it is affecting jobs.

Mr. Lloyd Longfield: Super, that's good to hear.

Jerry.

Mr. Jerry Dias: The auto industry generally runs on six-year cycles, and then after six years, it starts to drop over in our seventh year. That shows the uncertainty of the industry as it relates to predictability. Canada has incredible opportunities, because so much of the industry is capacity driven.

Ford in Oakville is maxed out, but Ford has room for enormous growth in their engine operations in Windsor, for example. Chrysler has an incredible opportunity for growth within their facilities in Brampton. General Motors has all kinds of capacity sitting in Oshawa.

There's a lot of opportunity for growth within the industry, and as it sits right now, the auto is the number one export industry in Canada. It exceeds oil and energy. This is an industry that I would suggest is looking for champions, and the opportunities are there. It really is about us taking advantage of the opportunities.

Mr. Lloyd Longfield: Terrific. If I can extend on the developing talent, Ford Motor Company has always been known for talent development. Back in the 1960s, it led with millwright developments and developments on the floor. We see the role that government can play in assisting business, government, and education with the three of us working together.

Could you comment briefly on that?

Mr. Steve Majer (Vice-President, Human Resources, Ford Motor Company of Canada Limited): Absolutely. The pace of technological change in recent decades has been tremendous, and I'm proud to say that our workforce has certainly kept up, but we expect that pace to continue. We do have a well-established apprenticeship program, which graduates a variety of different skilled trades classifications. We're finding these days that with the increased presence of robotics on the shop floor, the mechanical and electrical skills are in particularly short supply, and we value people who can maintain throughput and productivity, and make sure robots are working to their potential at all times.

That's what we see as a growth opportunity. With the technology changing toward the electric robots, we see less of a demand for some of the traditional trades, such as welders or millwrights.

Mr. Lloyd Longfield: For our report, is it fair to say that a partnership between Ford Motor Company and Unifor and the government, as well as education, could advance that agenda a little bit?

Mr. Steve Majer: It could, certainly.

Mr. Jerry Dias: Could I continue?

About four years ago, the government walked away from the sector programs that we had. We would have Ford, Unifor, provincial government, federal government, and academia all in a

room where we talked about the changing technology, what skills were needed, so that everybody could participate in the discussion and the university could be a part of the solution. That was eliminated about four years ago. That really needs to be put back into place.

Mr. Lloyd Longfield: Jerry, could you forward any detail on that to our clerk, so we could include it in our manufacturing study? I think there is a missing piece there that we have to address. I'd appreciate that.

Mr. Jerry Dias: Yes, I can certainly do that.

Mr. Lloyd Longfield: Very briefly—I know I have only a minute and a half left; I have a clock in front of me—we visited the aerospace sector as a committee a few weeks ago and saw the importance to that sector of government working with industry and education. I'm really impressed with what's going on in the aerospace sector.

Is there some similar movement afoot within the automotive sector to have a cluster that's as dynamic and active as what we saw with the aerospace sector, including the government?

Mr. Jerry Dias: I'm an aerospace person. Aerospace is what we've done well, historically, here in Canada. Canada is number four in aerospace manufacturing and has been for about two decades. About two decades ago, auto was number four in the world and today we're about number 12, heading to number 15. Why? It's because we have strong government policy in aerospace. We don't have any sort of strong policy here in auto, and herein lies what happens when you take your eye off the ball.

Those discussions are going on. GM just made a major announcement this week—700 new engineers building the type of technology we're going to need—but it's something that needs to be embraced and it's something that needs to be enhanced. That means all of us need to co-operate in that discussion.

• (1620)

Mr. Lloyd Longfield: In my few seconds left, the production-to-sales ratio would bear that out, that we need to have high-value production and high-value sales to be able to pay for the expensive market that we're operating within.

Thanks, everyone.

The Chair: That was exactly seven minutes. I like that.

Mr. Nuttall, you have seven minutes.

Mr. Alexander Nuttall (Barrie—Springwater—Oro-Medonte, CPC): Thank you, Mr. Chair.

I'd like to start with a question for Mr. Dias.

You mentioned a couple of times that you're excited about perhaps a new attitude toward manufacturing with the new government. Is that fair to say?

Mr. Jerry Dias: That's correct.

Mr. Alexander Nuttall: Would you agree with the statement that we should be transitioning away from manufacturing jobs in southwestern Ontario?

Mr. Jerry Dias: No, we definitely should not be getting away from manufacturing jobs in Ontario, but that's what's been happening in the last 10 years.

Mr. Alexander Nuttall: Also, if I could go to our friends at Ford here concerning the high cost of production, specifically in Ontario, yes, we hear labour, and yes, we hear all different kinds of stuff, but the biggest one I hear all the time is hydro rates and the cost of electricity. Is that still the case? Is it getting any better? We've talked about it for five, six, or seven years now.

Ms. Dianne Craig: Well, there are many ingredients that go into an investment decision, and I just talked about a few of them, certainly with how the investments are treated.

Electricity is definitely one of those ingredients, and it's getting worse, because cap and trade that's now being introduced in Ontario is going to make our challenges even more challenging, and it comes at a time when we're already having a tough time competing with my global colleagues around the world.

My challenge is this. I'm going to advocate for Canada every day for those auto investments, but at the end of the day, we're a global company and we make business decisions on business investments and what the right equation is.

With what's happened most recently with cap and trade, continued escalating electricity costs only make our job harder.

Mr. Alexander Nuttall: Right. Thank you.

Jerry, there are two companies in which Unifor has union representation that I'd like to ask you about. The first one is GM in Oshawa. I believe that's correct.

Mr. Jerry Dias: Yes.

Mr. Alexander Nuttall: Where are we on those negotiations? I understand they're coming up this September. It's obviously something that a lot of people are paying attention to. Could you tell us at what stage that is? What do you see as the number one inhibitor to Oshawa's scaling up again?

Mr. Jerry Dias: Okay, in contract negotiations, the deadline for whoever the target will be is mid-September, but we are absolutely in informal discussions. The number one priority in this set of negotiations is product, whether it's with Ford or with Chrysler, and certainly with General Motors. The number one inhibitor for years has been, to be candid with you, that the government's policy on the automotive innovation fund has been a disaster. Dianne is a lot more diplomatic in how she will explain it, but the fact is that you have other countries around the world—whether or not it's Germany, Europe, Mexico, southern United States, Japan, or Korea—that play a real leadership role because they know that the payback is within three years. If the government gives \$1 billion to the industry, it's paid back in three years and then you have 22 years of gravy. The real problem has been our trying to attract that type of investment.

Also, there was a real bureaucracy between the federal and provincial governments. There was no one-stop shopping. You had to jump through all kinds of hoops all over the place, dealing with governments, dealing with this. By the time you had to make a decision, sometimes it was so tied up in the bureaucracy that you ended up just walking away from it. That happened with Ford with the Dragon program and Chrysler in Windsor. We need a one-stop program. We need some major coordination between the federal and provincial governments. We need the government to take a real active leadership role in understanding what it takes to attract the industry.

Mr. Alexander Nuttall: Perfect. I have heard that from the automakers and the unions, and quite frankly, suppliers too.

I'd like to ask you about another business very quickly if I could. You represent Bombardier in some, if not all, of its facilities. Where is Unifor on that in terms of support, investment, bailout, or whatever you like to call it, to Bombardier at the same time as we've seen outsourcing of some of the jobs? It's obviously a balance but if you could....

• (1625)

The Chair: You have about one minute, if that's okay.

Mr. Jerry Dias: No problem. Bombardier, between the company and its employees, pays over a \$1 billion a year in taxes. It has received about \$2 billion in the last 50 years. Do the math. It's very easy to figure this out. The question becomes, if we want a strong aerospace sector, I would suggest the federal government has to participate the way the Quebec government has.

Now, there's no question of the de Havilland facilities, which is my home. I'm clock number 28091. Am I thrilled with the idea of offloading work to China and Mexico? The answer is no. Do I realize that it has to lower the fixed costs of the Dash 8 program to compete with ATR? The answer is yes, but I would suggest that there was a smarter solution that would have kept the jobs in Canada.

Mr. Alexander Nuttall: Perfect. You killed it on the time. Thank you.

Mr. Jerry Dias: Don't count on that, by the way. I know you're the chairperson, but we'll talk after.

Mr. Alexander Nuttall: In light of that, I'd like to move the following motion, Mr. Chair:

That, the Committee on Industry, Science, and Technology invite as part of the Study on the Manufacturing Sector, representatives of Bombardier Inc. to appear at Committee before the House adjourns, and that, should this not be possible on the part of Bombardier Inc., that the Committee convene a special meeting during the summer months at Bombardier Inc.'s convenience.

Very quickly, as it's not a substantive new motion, but is regarding what's currently on the floor, we can proceed with it today.

The Chair: Thank you for telling me my job.

Mr. Alexander Nuttall: It doesn't need to be sent to subcommittee.

The Chair: Thank you for telling me my job.

Is there any debate? We'll put the witnesses on hold for a moment.

Go ahead, Mr. Longfield.

Mr. Lloyd Longfield: I think Bombardier was great to open its doors to us. We had a good tour of its facility. It opened up its financials to us. It showed us confidential information while we were there. At the end of the meeting, we asked whether it would be possible for representatives to come to the committee, and at the time they said that in June they are really tied up with the transitions of their business, so that wouldn't be possible, but they could look at things at a later time. So for us to try to strong-arm them, I would be totally against it.

The Chair: Go ahead, Mr. Masse.

Mr. Brian Masse (Windsor West, NDP): Mr. Chair, I would normally have supported a motion like this, but not when we have guests here. I want to get back to my witness questions, and I would call for a vote now, please.

The Chair: Okay.

Mr. Alexander Nuttall: To Mr. Longfield, yes, they said they couldn't come in June. I spoke to them numerous times afterwards and they said they are willing to come after June, which is why the motion says that, if they are unable to meet, name a time in the summer and we'll be here. If the committee doesn't want to, then if we don't have them in, that's fine; you'll have to explain that position, because we've already invited them prior to this.

The Chair: If there is no other debate, we will call the question.

Just so I'm clear, from my understanding, we did extend the invitation and you were there with us, and we've asked them numerous times. My understanding is they were suggesting perhaps sometime in September when we reconvene. For this motion, what you're suggesting is to convene a special meeting during the summer months.

Mr. Lobb.

Mr. Ben Lobb (Huron—Bruce, CPC): I didn't know we were going to debate this motion per se during this meeting, but seeing as we're having a debate on this motion at this meeting, I guess I'll add my two cents, in case anybody else has anything to add.

We've heard what Jerry had so say. I think it's important that we have Bombardier appear before this committee. It would be great if they could appear before the committee sooner rather than later. I think it would be great for them to explain many things, about all the jobs they create in this country, the great product that they create in this country, and also make a case to this committee in an open, public, and transparent way as to why future assistance would benefit their continuing on as a great company, a great Canadian company.

It's not uncommon for committees to meet after the House has recessed for the summer. It would be appropriate. Considering the dollar amount that's been asked, or allegedly asked, of the government, I think it would be great to have Bombardier appear for one, two, or three meetings so they can lay it out and explain their point of view and the benefits of the dollars they're asking for from the federal government.

•(1630)

The Chair: Just to recap, as Mr. Longfield has stated, we did go to Bombardier. They did open up their doors. They had their top executives. You were given more than adequate time to ask questions. That's Mr. Longfield's statement. That's where we stand right now.

If there's no further debate, I will call the vote.

Mr. Alexander Nuttall: Mr. Chair, that 12 minutes, you were very kind. It was supposed to be five and you gave me 12. I have to be fair with that. Twelve minutes does not constitute adequate time to discuss the effect of not having a bailout, not just on Bombardier, but on the entire aerospace industry and the manufacturing jobs that are tied to that. Twelve minutes does not constitute enough time.

Also, saying they opened up their books.... I don't want to go into it because it was a confidential meeting, and I'm not going to talk about that publicly. But I think maybe we were at two different meetings in terms of what I would have been looking for on the subject.

The Chair: Okay. Are there any other comments?

Mr. Chandra Arya (Nepean, Lib.): Chair, I agree with Mr. Masse. I think we are wasting our time. Please put it to a vote.

The Chair: The motion is debatable, so that's what we're doing.

If there are no other comments, we will call the vote.

(Motion negated)

The Chair: We're going to move to Mr. Masse.

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

Thank you to our witnesses for being here today. One of the things you notice on the current list of automotive production is that Canada has slipped. If you look at the nations that are gaining, most of them have either a state-funded intervention, or they have questionable labour practices, or they have questionable environmental practices as a nation-state. What I'm a bit worried about is the fact that we don't concentrate when we do trade agreements, or when we do get into importing and exporting of goods and services.

I would open this to our friend in Vancouver as well to quickly note, what do your companies do to advocate for fair trade—I will include Mr. Dias, as well—with regard to the so-called labour gap?

I've worked at Chrysler. My father worked at Chrysler, and my grandfather worked at Ford. I've heard in not only just my time here as a member of Parliament, but basically since I was in the plant shop at plant three and plant six at Chrysler, that the labour cost was a disadvantage to their doing business.

I've seen Canada go from number two in auto manufacturing and assembly to number ten. To combat that, I believe it has to be more than just complaining about the labour disadvantage. It's about what companies do to talk about fairer trade versus the importation of materials, goods, and labour practices that are used to subsidize those imports.

I would close with the simple fact that asbestos is still being imported into Canada and used for brake pads. That's a classic example. That subsidized, harmful environmentally degrading product is being put by Canadians onto vehicles that are driven around on our streets, to be ground down onto the street elements, and to be washed away. Why are we even allowing that to be part of our importation process? It doesn't make any sense.

Maybe we'll let our friend from Vancouver start, and then I'd like to hear from our witnesses here with regard to what suggestions they have and what everybody is doing to improve fair trade that are true comparatives.

• (1635)

Mr. Jerry Kroll: The fair trade question is a good one. It's a comment and it's not just the fair trade. That's one component of it, but it's the entire footprint of the products that are being imported. Asbestos in brake pads is a legitimate claim.

How are the vehicles being produced? How are the raw materials being sourced? These are all things we have to look back to. Are the vehicles being produced in a way that's harmful for the people putting them together and the people sourcing the materials? This is something that's new to the automotive sector, and it's something that you can see reflected in what people are looking at for the ongoing carbon contribution of a vehicle as well. That explains the rise of products like the Tesla, where people realize that in the day-to-day usage of the vehicle they're having a far less adversarial effect on the environment.

That is something that has to be put in for ISO certification for environmentally friendly manufacturing practices during the manufacturing and also for the products or components.

It goes right down to animal products being used in the car. Leather and things like that also have to be looked at. There are so many layers that need to be peeled back on the industry to make sure that Canadian products lead not just in the product themselves, but in the thoughts behind them. It's an opportunity. It's not an expense. It's a fantastic opportunity for us to seize. That's innovation, because you thought about the innovation. Applying that innovation is where the real profit is going forward in the next 10 or 20 years.

Today's consumer loves that idea, and that's what has to be addressed.

Mr. Brian Masse: Thank you.

Ms. Craig.

Ms. Dianne Craig: Thank you for the question. I would answer it in two ways.

First of all, we're a company that's over 100 years old, and Henry Ford was all about protecting the environment. When it comes to sustainability, whether it's how we manufacture our cars, how we build our cars, or the materials that go into our cars, for every component there's a strong thought process around making sure we're not doing anything that would be harmful to the environment. I can't speak to any component that I am aware of that is harmful to the environment that Ford Motor Company builds or produces in any of our manufacturing plants.

When you mention fair trade, I might look at it a little differently. I hadn't thought about it in the context that you mentioned. As I mentioned in my remarks, we're all about fair trade. When you take countries that we've been trying to work with in the TPP or the South Korea-Canada free trade agreement, those countries are closed markets.

When you look at Japan, 94% of what was built in that country was sold in that country. They only had 6% of the vehicles imported, which is wildly different from most of the other economically developed countries. In South Korea, 87% of the vehicles sold there are produced in South Korea. That's why they're closed markets. That's why no matter what we do, whether it's tariff phase-outs or trying to make sure we have currency manipulation disciplines in the agreements, they're still closed markets. Will they ever be truly open?

That's our definition of free trade in making sure that there are the same opportunities.

Mr. Jerry Dias: Trade is a great question. If you go back 15 years ago, Canada had about a \$20-billion trade surplus. Today, we have a trade deficit. I will argue that has happened as a result of choices, poor choices.

If you take a look at the recent trade deals, Korea came into effect in January 2015. Since then, trade exports from Korea to Canada have gone up 8%, and those from Canada to Korea are almost down 4%.

Our big winner was beef. They found one cow in Alberta with mad cow disease a month into the trade deal, and we haven't shipped beef since. That's who we're dealing with. We get to play nice on the global scene while others mess around.

Korea exports over 100,000 vehicles a year to Canada, and we ship about 100. That deal is not going to change, and yet this is Canada's number one export. With the TPP, the Japanese ship 159,000 vehicles a year to Canada, and we ship about 500 back. They have no tariff for vehicles coming into Japan, but they have a closed market, and the TPP deal obviously is going to make it even worse.

We have to take advantage of Canada's assets, and what's our biggest thing? We have a skilled workforce. Why? We have high education, medicare, and we have so much going for us that we need to take advantage of it.

One of the issues that was raised, and that I want to finish on, is the whole issue of labour costs. Five per cent of the cost of a car is labour.

• (1640)

The Chair: Thank you. Sorry, but we're over.

Mr. Arya, you have seven minutes.

Mr. Chandra Arya: Thank you, Mr. Chair.

Mr. Dias, I agree with you that there's a role for the government to play to promote the manufacturing sector.

In the written brief that you have submitted, you mentioned aluminum. After I became an MP, I looked at aluminum manufacturing, and realized that during the last 15 years, we have set up one tiny aluminum smelter in Canada. During the same time frame, the oil rich Arab countries, in one 1,000 kilometre radius, have set up five world-class aluminum smelters.

You also mentioned a passing remark mostly on the small manufacturers in Canada. There's absolutely no funding available to new manufacturing start-ups in Canada.

The regional development agencies, in fact the western development agency clearly said flat out that they don't finance new start-ups. Who would finance then? They said BDC, and BDC has a \$1-billion portfolio on secured loans. They have hundreds of millions of dollars to invest, but in their answer, they said they have prorated during the last year only \$23 million to new manufacturing start-ups.

I fully agree with you that we need a manufacturing policy in India. In the oil rich Arab countries, they're adding value to the oil and natural gas. Every single industry and the development department in all these six countries have various charts. With all the blocks that are coming down from oil and natural gas, one colour, white, means the plant has already been set up. Green means a plant is being formed. Yellow means there is something that needs to be planned. We don't have any new manufacturing set up to be coming here.

What they have though is a clear industrial development policy that is also backed by the state institutions. The Arabian will start up a titanium dioxide plant costing \$50 million, and if I have \$40,000 of it, then the government is ready to step in with \$60,000 of funding to promote that manufacturing.

Can you kindly expand in one minute the manufacturing policy you'd like to see in Canada?

Mr. Jerry Dias: You touched on so much of it. I talked about the ore and energy industry. We've closed 10 refineries in Canada, but the debate in Canada is about pipelines to get our unrefined bitumen to Texas for refining, or to get into pipelines and put into vessels to ship overseas for processing.

I understand that it's an expensive investment to reopen a refinery, but is it not worth the investment to sell a finished product overseas? I don't have a quarrel with pipelines. We need more pipelines. It will put my members to work in General Electric in Peterborough, and also my members that make pipelines, but should it not go to a refinery, finished off, have value added, and then be moved forward? With the manufacturing sector, aside from what I just talked about, you need to take a look at the key industries that you want to be leading in, the ones that create the jobs and the ones that developed the technology. A car today is as sophisticated a vehicle as there exists anywhere in the world. The automotive industry is high tech like the aerospace industry, and those are the ones that you want to plan.

Mr. Chandra Arya: The only point where I wish to disagree with you is that you said we have a skilled workforce. In Ottawa, we have 1,700 knowledge-based companies, and the CEO of Invest Ottawa tells me that there is zero per cent unemployment because we don't have the talent that is required.

However, I have only one and a half minutes, and I want to go to Mr. Jerry Kroll.

Mr. Kroll, can you tell us very briefly of your experience in trying to obtain financing, especially the debt financing in Canada, for your venture?

Mr. Jerry Kroll: Certainly. It's been quite frustrating. Through global warming and seeing petroleum products and pipelines proliferating, it's an area of the world that everybody, the average person, understands is unsustainable and wants to move forward on. We have largely funded our company through private equity, through people investing, through individuals and all of that.

In speaking to government organizations, to cities, to provinces, and federally, there has been a lot of interest, but really no action. In talking to people, this area, the clean tech industry, is something that is going to be the next platform going forward.

• (1645)

Mr. Chandra Arya: Have you approached the commercial banks and/or the BDC?

Mr. Jerry Kroll: Yes, we've approached the BDC and got nowhere there. We've approached private banks and got nowhere there.

Mr. Chandra Arya: I'll go to Ford.

You mentioned that manufacturing is the cornerstone for any healthy economy, and of course I agree with you. You did touch on the two recommendations on the AIF and the trade policy matters, but could you go beyond the automotive sector and tell us what exactly is required to advance the manufacturing sector in Canada?

Ms. Dianne Craig: Thanks for the question.

I've had the real privilege of leading the Canadian business for four years. We are losing the battle. We are losing the conversation about Canadian manufacturing in Canada. What I am concerned about in terms of the last four years is that we continue to have the same conversation about where the gaps exist, whether it's how the AFA is treated, whether it's challenges we've had with TPP or other messages it sends that our industry is an important one—you have tariff phase-outs that are five years versus the U.S. at 25 and 30 years—or whether it's conversations around electricity.

Harmonization and regulation, we continue to make good progress on, and as Jerry mentioned, we continue to make sure that we have a competitive labour agreement, so that is not really going to be the issue that will prevent manufacturing from happening in Canada, but we have to change the trajectory. I would say that we know what the gaps are, but we need to do something.

Mr. Chandra Arya: With the few seconds I have left, I would go back to Mr. Dias.

When I said that I disagree with you about the availability of a skilled workforce, what I hear from the industry is that whether it's a radio-frequency hardware design engineer or a person who has experience in robotics, we don't have the talent here. Our universities are still not producing the kinds of graduates that the industry can absorb directly.

Mr. Jerry Dias: There is no question, it's because there hasn't been a discussion about what the requirements are going to mean for the future. Academia has not trained people to deal with the changes.

Let me suggest that if you want a solution and you want to train young people for new technology, tie in unemployment insurance with the length of their educational program. If they're in an apprenticeship for two or three years, keep them on unemployment insurance during that time. That's a real solution.

The Chair: Thank you very much.

We're going to move to Mr. Lobb.

You have seven minutes—sorry, five minutes.

Mr. Ben Lobb: I think you said seven, Mr. Chair, so I'm going to take you at your word.

Voices: Oh, oh!

The Chair: But I corrected myself and said five.

Mr. Ben Lobb: Thanks, everybody, for being here today.

Just for the record—full disclosure—I started my working career in manufacturing and was a card-carrying CAW member and also a shift steward. That goes back quite a few years, to Wingham, at—

Mr. Jerry Dias: Wescast.

Mr. Ben Lobb: Yes, Wescast.

The one thing I want to ask you about, Jerry, is regarding the comments on the auto innovation fund. I think your comments were that it was a disaster or something like that—

Mr. Jerry Dias: Yes, a disaster.

Mr. Ben Lobb: Was it disappointing to see in the budget—and I'm not trying to play games here—that it was extended for three years?

Mr. Jerry Dias: Yes, absolutely it was a disappointment. I want to go to a more conducive program that is more grant based.

Mr. Ben Lobb: I went to university in Tennessee and played baseball down there. Around that time, in Smyrna, Tennessee, they were building the Saturn plant. That's going back quite a long time. They were investing. The state was investing massive amounts of money. Also, in Alabama, where my teammates were from, they were building a Mercedes plant, and the State of Alabama was putting massive amounts of money into the building of this factory.

We don't really do that here, in a true fund to actually entice people to make new builds. I've always thought that should be a component of what we're doing here as a federal government. Forget the provinces. If they're not interested, we'll do it ourselves as a federal government.

Is that something you would like to see? Do you think there's any benefit to that? From your chair, what do you see?

Mr. Jerry Dias: You were with the previous government, right? That's right. That's music to my ears.

I'm kidding with you, by the way.

• (1650)

Mr. Ben Lobb: Yes.

Mr. Jerry Dias: The reality is that we need the federal government to put in place a grant program like there is provincially. Everybody knows the numbers. They know what the payback is. The payback is very quick, and everybody knows what the offsets are for their community for the long term. So yes, I am in a situation where I am advocating for a more grant-based program like they have in the successful nations around the world that have automotive plants.

Mr. Ben Lobb: Okay.

Dianne, what's your thought? There are other costs, obviously, but would that help? I'm not putting you on the spot here, but is that something that would help in making your decision for Ford to make investments in Canada?

Ms. Dianne Craig: I would say two things. We have to protect what we have. Right now, I think we have to really concentrate on what we have.

I think there were two things that were disappointing about the \$1 billion announcement on the automotive innovation fund. A billion dollars over 10 years seems like a lot of money, but it's \$100 million a year. I mentioned that in 2014 there was \$18 billion spent just in North America on auto investments. Not only is the fund not competitive, based on the dollars being spent in this space, but also, as we've talked about, a grant would be much more competitive versus other jurisdictions.

Mr. Jerry Dias: Just to talk about the money, to complement what she's saying, \$100 million a year is a spit in the bucket. Ford invested almost \$1 billion in the platform they have in place right now. Chrysler has invested about \$3.5 billion in the last few years. GM invested about \$350 million in their CAMI operations. You're talking about \$100 million a year.

Ms. Caroline Hughes (Vice-President, Government Relations, Ford Motor Company of Canada Limited): May I just add to that on the structure of the program?

Today, the AIF is a loan and it's taxable. To put that in perspective, if we get \$100 as a loan, we have to carry it on our balance sheet as a loan of \$100, but we immediately have to pay the government back \$25. We actually receive only \$75 cash. We're carrying a debt of \$100 on our balance sheet that sits there until we pay it back, and it ties up our ability to get credit from anybody else.

Mr. Ben Lobb: Yes, I've always felt, even though I was one of 166 or whatever it was, that in manufacturing and trying to entice companies to expand, or grow, or make new investments, we're kind of putting both hands behind our back and starting a fist fight, because everybody else is playing a game that we aren't playing. Then we wonder why we don't get any new investments in our country.

When we're talking about automotive, whether it's automotive parts manufacturers and companies like Wescast, where I used to work, or the larger manufacturers, that has to be the start of a sentence, the start of what we are going to do here. I don't know if it will be a recommendation that comes out of this, but it has to be a new program that is world-class competitive. In addition to that, there's the Fraunhofer example in Germany. I think we have one Fraunhofer at Western. That has to be another thing: to partner with automotive companies so that we have the plants here but those plants are staying in cutting-edge, leading-edge, and high-end manufacturing.

I don't know if my time's up, but—

The Chair: Your time is up. Thank you very much.

Mr. Jerry Dias: By the way, I take back all those terrible things I've said about you.

Voices: Oh, oh!

The Chair: We're going to move to you, Mr. Jowhari. You have five minutes.

Mr. Majid Jowhari (Richmond Hill, Lib.): Thank you, Mr. Chair.

Welcome, everyone.

I'm going to start with Mr. Kroll from Electra Meccanica.

You mentioned that you have reservations for about 20,500 single electric cars. You also mentioned that both the BDC and private banks rejected funding for you to be able to expand. Can you expand on the reason they rejected your request?

Mr. Jerry Kroll: No reason was given. There's great interest in our vehicles. The BDC representatives here in British Columbia have test driven our prototypes, and they all love them. They all show up for photo opportunities, but nothing tangible actually comes forth. We have 20,500 written reservations for our vehicles throughout the United States, and actually Japan, believe it or not. While the Prime Minister was in Japan trying to get Japanese companies to move to Canada, we were actually taking orders to send Canadian cars to Japan to help them with their traffic congestion. But there has been absolutely no follow-up from BDC to my direct requests for assistance in building an assembly facility here in Canada, British Columbia and southern Ontario. There has been nothing, no follow-up at all.

• (1655)

Mr. Majid Jowhari: Mr. Dias, I understand that the proportion of employees that are covered under your collective agreement has been reduced by about 270,000 members. Can you explain the reason for that?

Mr. Jerry Dias: I have no idea where you're getting your numbers.

Mr. Majid Jowhari: Okay, let me share with you what I have.

In 1997 it was 36.4%, and it has gone down to 26% in 2015. You started with 695,900 members in 1997, and you're at 426,000 in 2015.

Mr. Jerry Dias: Look, your numbers are way out. I don't know where you got them from.

We used to belong to the UAW. I'm going back almost 30 years, when we had 1.2 million members. We left 30 years ago and started a union with 80,000 members. Three years ago, we created Unifor when we merged with CEP, which brought in 100,000 members. Today we're at 315,000 members. We are at the largest number we've ever been in the history of our union. That 600,000 number would likely be CUPE.

Mr. Majid Jowhari: Okay. Thank you for correcting me.

Mr. Jerry Dias: No problem.

Mr. Majid Jowhari: Ms. Craig, you mentioned the closed market, and you mentioned specifically South Korea and Japan. What role do their governments play in ensuring that the market remains a closed market, and what role do the citizens play in making sure they buy the cars that they buy?

Ms. Dianne Craig: It's a great question. It's a bit of a difficult one, because ultimately the government has to play by the rules, and that is what has not happened. Even when you take the South Korea free trade agreement, for example—and Jerry cited the numbers—just to give you an idea, last year 137,000 South Korea exports came into Canada. Ford only exported 500. There were only 3,200 that came from Canada. So it continues to be a closed market. I could give you the same data for Japan.

The frustration we've had, whether it be the South Korea free trade agreement that we've got experience with.... Even if you have tariffs that get reduced over time, there are the non-tariff barriers that are primarily currency manipulation, which are preventing our vehicles from getting in. That's one, but I'll give you another example with what happened in South Korea. Consumers had bought vehicles that were exported into South Korea. All of a sudden for some reason, they got audited. So in their equivalent of whatever their registration area is, all of a sudden, everybody who didn't buy a Hyundai or Kia was getting a phone call about their purchase.

Small things like that happen. There are parts issues where we can't get parts into South Korea, and where we can't get the vehicles fixed if we need a repair. There are what we call these non-tariff barriers, and it comes down to the government not playing by the rules. That's why, at least from our standpoint, we really at least wanted to make sure we had strong currency disciplines, so at least we knew that there were teeth in the IMF, so we could prevent that from happening.

The Chair: Thank you very much.

Mr. Dreeshen, you have five minutes.

Mr. Earl Dreeshen (Red Deer—Mountain View, CPC): Thanks very much, Chair.

Thank you to all our guests for being here this afternoon.

The discussion on currency manipulation that has just taken place, having these vehicles or the people who are purchasing them audited, reminds me a lot of the BSE situation that was spoken of before. It's something I think we have to recognize, that some of these things are done to discourage some of the exports we have.

Mr. Kroll, it seems a little interesting. In our discussion, as we talked about grant-based programs and so on, you were talking about loan guarantees, but you've had some difficulties with BDC and finding that sort of support.

Is a loan guarantee the approach we should be looking at, and should the large companies also be considering those as the way forward? How do you see that, because of course, you are competing against them in so many different ways?

Mr. Jerry Kroll: Looking at what has been successful recently, over the past 10 years in the automotive industry, no car company has been more successful than the Tesla automotive company. That's been largely due to consumer demand. The fossil fuel vehicles are comparable to a fax machine, whereas the vehicles Tesla is producing are the equivalent of the Internet. That's where the demand is.

Whether in Canada, the United States, Norway, or Japan, anything that the government can do to help the automotive industry innovate

toward a cleaner environment and a cleaner industry, in both the manufacturing and post-consumer delivery of the vehicle, should be encouraged.

That's really where the money is going to be. Whether it's Ford, GM, or us, delivering vehicles that are good for people, planet, and profit is where tomorrow's economy is going to be.

● (1700)

Mr. Earl Dreeshen: Thank you very much.

Of course, that speaks to innovation. Where I come from in central Alberta, I'm more likely to have a Ford F-350 than I am to have an electric vehicle because that is simply the reality of where we live, and I do have a Ford F-350.

Again, there is discussion about the sourcing of different sorts of products, and one of those things that is so important to us is animal products for leather. This is something that has been critical. As we see when people have a different philosophy as far as advancements are concerned, there are concerns that exist there. It's a tightrope that I think people have to look at, because you do have people who want to make sure we protect everything. They don't necessarily recognize some of the issues that occur in other sectors.

What I would like to talk to Ms. Craig about is the \$7.8-million investment for cold-weather testing that has just taken place. In it, Ford talks about Canada's clear capacity for innovation, the proven talent we have in the workforce, as well as a strong network of great universities, start-ups, and innovative suppliers.

This is something we're looking at in Kapuskasing, Ontario. For someone who lives where cold weather is part of reality, I wonder if you could perhaps give us a bit of an idea of what you see is going to take place there.

Ms. Dianne Craig: There are a couple of things. Obviously cold-weather testing is pretty important to Ford, especially when we get into electrified vehicles and when we think about our future.

I certainly want to talk a bit about electric vehicles, because 2% of the vehicles sold in Canada today are electric vehicles or plug-in hybrids, so there is not the demand that we need.

Ford Motor Company made an announcement in December for \$4.5 billion in electrified vehicles over the next five years, to have 40% of our nameplates as an electrified or a plug-in.

It's really important that we create the demand. It's not there right now, but part of that is how we test for cold-weather climates, especially when it comes to electrification.

I don't know if either of you have anything else to add on that.

Mr. Steve Majer: If I could make just one point, sir, I think the facility that was mentioned in Kapuskasing is actually a General Motors facility, not a Ford facility.

Mr. Earl Dreeshen: My apologies.

Ms. Caroline Hughes: About Ford, we do have two leading-edge R and D centres in Canada. We have the Powertrain Engineering and Research Development Centre in Essex. We have spent almost \$100 million on R and D projects there to do the full range of power train. It can test, develop, and do R and D work on an electrified product, a diesel engine, a gas engine, as well as on the full range of alternative fuels.

Separate and distinct from that, our Oakville assembly complex includes a fumes to fuel research project. We're working on 43 different R and D projects in Canada with Canadian universities and suppliers in the areas of light-weighting, advanced material forming, and biomaterial.

The Chair: Thank you very much.

We're going to move to Mr. Baylis. You have five minutes.

Mr. Frank Baylis (Pierrefonds—Dollard, Lib.): I'll ask all three of you the same question, and I'll be timing you because I want to make sure I get my questions in.

It's a simple question. With the other people we've had, we've been looking at productivity. Here, I'm hearing from all three of you that it's not even productivity. It's about keeping what we have and helping us grow.

I'd like to hear from each one of you what would be the top two things you'd like the government to do to help you stay here, and in your case, not to go to Mexico.

I'll start with you, Mr. Kroll.

Mr. Jerry Kroll: We're [*Technical difficulty—Editor*] but we have already explored China—I was in China—for manufacturing the vehicles, and we have, through the Government of B.C., a contact to India: 100,000 vehicles in either place without really too much effort.

A template similar to what was so successful in developing Tesla in the United States is exactly what needs to be followed. Just look at the way the milestones were put together: we hired our 100th employee; we hired our 1,000th employee; we delivered our 1,000th car; we exported our 2,000th car. That's where \$5-million increments come together to build up a business—as a loan, with interest and principal repaid. That has to happen.

There's no reason that we can't have a North American assembly facility for tomorrow's technology of clean energy, small-footprint vehicles built in southern Ontario and British Columbia for all of North America. There's no reason we can't do that. The template is there. The benefit for employees, for taxes, and for the environment has already been proven. We just need to reflect that.

• (1705)

Mr. Frank Baylis: Ms. Craig.

Ms. Dianne Craig: [*Technical difficulty—Editor*] to our plants. Help with the investment. It goes right back to the automotive innovation fund. Make it competitive so that we can bring innovation to the plants. That will help improve the productivity.

Mr. Frank Baylis: Mr. Dias.

Mr. Jerry Dias: We work closely together, obviously.

We need a system of grants instead of taxable, repayable loans, and not just in the auto industry. That needs to go right through the system if you're going to create real and meaningful manufacturing jobs. Also, we have to stop signing disastrous trade deals. We need to sign trade deals that benefit Canadians. The government can start off in a meaningful way by blocking the TPP.

Thank you.

Mr. Frank Baylis: This is a bit of a funny ask, but I'm going to do it anyway.

You can now each submit to the clerk anything additional you'd like to submit, and it would be very interesting if you could find common ground among all three of you. You actually represent three different aspects of this challenge: basically a technology start-up in the automotive area; a very large, successful company established in that; and the workers who work in there. If the three of you were to come back with three things...because we don't need a book here.

It's not my right to tell you. You can each independently submit something to us. But if something came from all three of you, very clean and clear, telling us the things you're looking for, it would at least put weight behind our saying that we have everybody behind it—technology, large companies, and labour.

I have another minute here, so I'll ask about productivity. Are there issues of productivity?

I'll start with you, Mr. Kroll.

Mr. Jerry Kroll: [*Technical difficulty—Editor*] productivity for ourselves, being able to start with the new vehicles and engineer them so that the productivity is optimized per hour and per employee. That's engineered into today's vehicles. We look at it as being a new product going forth.

There's no problem with the Canadian workforce we have, or no benefit to exporting those jobs out of the country. I have no problem in keeping the product here. The maple leaf does ship well, so a Canadian-built car would be phenomenal.

Mr. Frank Baylis: My struggle with this is that I know the numbers about everything. I understand the U.S. is getting \$10 billion, Mexico \$7 billion, and us \$1 billion. Why is this if it's not productivity or labour costs? What else is pulling them to specifically Mexico?

Ms. Craig.

Ms. Dianne Craig: Well, from a productivity standpoint, we are not at a competitive disadvantage. We're very, very competitive, and in some cases more competitive than plants outside of Canada.

The labour cost is difficult in terms of Mexico versus Canada. On the labour cost, we've closed the gap between the U.S. and Canada, so we can overcome that gap. That really has not become an issue. We have plenty—as I said, \$10 billion in 2014—invested in the U.S. So there's certainly lots of opportunity, even competing with the U.S.

The Chair: You have 10 seconds, Mr. Dias.

Mr. Jerry Dias: General Motors: number one in CAMI, number two in Oshawa, North America quality and productivity.

How was that? That was only eight seconds.

Can I elaborate?

Voices: Oh, oh!

Ms. Dianne Craig: Ford's good too.

Mr. Jerry Dias: I know. Well, you're covering it; I have to talk about the rest of them.

The Chair: And now you go and ruin it all.

Mr. Jerry Dias: I didn't want to leave here on a—

The Chair: Mr. Masse, you have two minutes.

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

Just on a point of order, I hope that in the future, if we have interruptions to guests, I don't become the victim of losing time for that. It should be equitably shared across the table. I'll move on from that.

With regard to the industry, and looking at the history of it, it was made by strategic visions and decisions, and it was actually created by tariff and trade barriers that Canada imposed to actually get branch plants from the United States to be incubated in Canada. We find ourselves today without that bold strategy that created the industry. The Auto Pact was one of the most successful, if not the most successful, trade moments in Canadian history, because we still stand on that footprint which has now diminished. Ironically that was killed through NAFTA through a challenge by Japan, which now wants preferential status for importation and development, when we can't even actually ship into Japan because of non-tariff barriers. It's just amazing.

Ms. Craig very quickly, what does it do for you at the table advocating for Canadian investment when we know, for example, even on this, that despite a trade agreement with the United States and Mexico, they are actually negotiating a 25-year advantage in this trade agreement, when we have five years, and Malaysia got 12 years, for crying out loud? How do we actually negotiate at the table knowing the advantages—not only in money, dollars, but in trade advantages—all go to our neighbours?

• (1710)

Ms. Dianne Craig: Well, Mr. Masse, thank you for the comment.

The challenge for me especially is that it sent a message to our global Ford Motor Company that the auto sector in Canada didn't matter when the Canadian negotiators negotiated a five-year phase-out on the tariff, when they know what happened in the U.S. We were at the table, and they listened to our feedback. We told them how important the sector was, how important the tariff was to be competitive with the U.S., and you know what the end result was. I

think it was just one more message that was sent to my company that Canada isn't serious about protecting manufacturing.

Mr. Brian Masse: Okay.

The Chair: All right, here's where we stand.

Mr. Chandra Arya: Mr. Chair, I just want to tell the Ford people that I own a Ford Escape.

An hon member: I already got one.

An hon. member: And there's one more.

Ms. Dianne Craig: Oh, thank you.

Ms. Gudie Hutchings (Long Range Mountains, Lib.): And thank you for your F-350.

A voice: I have a small economy Focus.

A voice: Me too.

The Chair: Okay, now that we've all shared what kind of vehicles we have, we actually will have time for one question of two minutes, two minutes, and you will get another two minutes. Who's going to do it on this side?

[Translation]

Mr. Arseneault, do you want to speak?

Mr. René Arseneault (Madawaska—Restigouche, Lib.): I would like to take the floor for two minutes, please.

The Chair: I'm giving you two minutes, but no more than that. I will cut you off after two minutes.

Mr. René Arseneault: When does my time start?

The Chair: Now.

Mr. René Arseneault: Okay.

I would like to continue in the same vein as my colleague Mr. Baylis, who talked about weak productivity. Perhaps you are making more efforts to maintain your gains.

[English]

I'll speak in English. I'll try as hard as I can.

Ford Canada, like GM, sells a lot of half-ton trucks, which in my perception doesn't make sense, because we're all on the side of the green vehicles, etc. About 85% or 87% of the cars you're selling are half-tons, or pickup trucks. We're studying manufacturing, so how do you prepare yourself for future manufacturing taking that into consideration? Light cars, economy cars, electric cars: what is the perception of Ford on this from a manufacturing point of view when you are still selling very heavy vehicles?

Ms. Dianne Craig: Thank you for the comment, especially in English. My apologies.

As I mentioned, in December, Ford announced \$4.5 billion over the next five years on our electrification strategy, and manufacturing is a part of that. Forty per cent of our lineup will have an electrified power train, whether it's an electrified vehicle or a plug-in. That includes our SUVs, our CUVs, and even our full-sized pickups, but we need to create that demand. We need to do this for our future, but we need to create the demand.

Mr. René Arseneault: Is that going to be manufactured in Canada?

Ms. Dianne Craig: There's some research and development in terms of electrified vehicles, as Caroline mentioned, in Windsor. We have our research on our power trains working on electrified vehicles as well.

Mr. René Arseneault: What's your point of view on that, Mr. Kroll?

Mr. Jerry Kroll: I would like to put my order in for a fully electric Ford GT right here with everybody watching.

The Chair: Thank you very much, guys.

Mr. Nuttall, you have two minutes.

Mr. Alexander Nuttall: Thank you.

Thank you again for being here today.

In terms of one of the concerns for manufacturing, obviously the base is in southern Ontario and parts of Quebec. One of the items we saw in the mandate letter to the minister specifically cited a continuance of an attitude towards transitioning away from manufacturing. I think the exact words are "traditional manufacturing" in communities that rely heavily on it. St. Thomas would fall under that, and obviously other areas would.

Are there any comments you have for us on how we can actually do the opposite? How can we prevent the transition away and rebuild or retool some of those plants that have wilted away over the years?

• (1715)

Ms. Dianne Craig: In the case of St. Thomas, that plant closed largely because we were building Grand Marquis and Lincoln Town Cars, and that segment just shrank. That was a big reason that St. Thomas closed. It was just because of the overall demand. I think Oakville is a great example, with all the innovation that's gone into that plant, where we're building a global platform for the world that has a lot of innovation with non-traditional manufacturing.

I think we're already doing it. Can we do more? Absolutely.

Mr. Alexander Nuttall: Mr. Dias.

Mr. Jerry Dias: More than ever, today we know that we need a diversified economy. We thought we were going to have an economy where the streets were going to be lined with oil, so we put all our apples in one basket, I would suggest, and we got away from the manufacturing sector. We didn't support it. We really do need to find a mechanism to diversify, to have a strong manufacturing sector, to put into place those types of incentives, and of course to strengthen our oil and energy sector.

Mr. Alexander Nuttall: You're saying to transition back to manufacturing, not away from manufacturing.

Mr. Jerry Dias: That's correct.

The Chair: Thank you very much.

Mr. Masse, you get your two minutes again.

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

First of all, it would be remiss of me not to mention that the Essex engine plant is technically in Windsor, but we like our Essex people too.

Just to point out the advanced behaviour of Ford and the CAW, now Unifor, I was proud to be able to share with my daughter, while I was driving by the plant the other day, the naturalized area that was done. It was mocked a long time ago. It has now matured and has become a symbol of industrial and environmental work. It may seem like a very modest project to some, but the Herculean effort undertaken by Ford and the CAW at that time is instrumental as a model. I thank you for that. I think a lot of it has to do with the innovation that we have coming forward.

Really quickly, I'll leave this for all three of you to answer, and basically yes or no. I believe that manufacturing is actually a part of national security and a national strategy. I believe that with the technology we see, and the transfer of this technology, it's a real opportunity. I also believe that Canada's ability to be swift, quick, and small, compared to some of the markets we compete with, is an advantage in this new and emerging development of technology and the turnover rate it has.

Starting in Vancouver and coming back to here, do you think that if we were to put the proper national auto strategy in place we could actually re-emerge as world champions?

Mr. Jerry Kroll: We can definitely become world leaders not only in producing vehicles that address commuters and shipping cars for corporate clients, but also in providing vehicles that address the environmental concerns you've identified there, absolutely.

Ms. Dianne Craig: I would say we have an obligation to do exactly what you're doing: to protect the environment. In fact, we're really proud of the fact that our Oakville assembly plant is 100% waste free and we're building over 300,000 vehicles out of that assembly plant.

Thank you for your comment.

Mr. Jerry Dias: There's no question, we are in a transition to a green economy. The question becomes, how do we do it?

How long is it going to take? How are we going to train people to deal with ever-changing technology? There are obviously symbols of how we can be running green companies, and there's a mechanism to do it, but we have to make sure that we bring everybody along.

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

The Chair: That's excellent.

Thank you. That's going to end the question and answer period.

Thank you very much for a most awesome presentation, with a lot of great stuff. It's very exciting to see where we have the potential to continue to grow.

Again, thank you to our guests. We're going to suspend for a couple of minutes and come back and do our housekeeping, and then we'll be done for the day.

• (1715) _____ (Pause) _____

• (1720)

The Chair: Thank you very much, guys.

The only order of business we have right now is the budget.

Is this budget everything, all the witnesses for the manufacturing study? It's everything to date. Does that take us to the end of the manufacturing study, unless we do more travel?

• (1725)

The Clerk of the Committee (Ms. Christine Lafrance): It doesn't include travel at all.

The Chair: No, it doesn't include it.

The Clerk: It's just the expenses.

The Chair: We just have to approve this. Are there any questions on the budget?

Mr. Chandra Arya: Just as clarification, when we say "witness expense from Edmonton", is it the amount we pay them to come here?

The Chair: It's an average.

Mr. Chandra Arya: Okay.

The Chair: Are we all good?

Some hon. members: Agreed.

The Chair: The budget is passed.

Mr. Frank Baylis: I have a technical question about submissions.

I meet people, and they want to get in on.... Are they allowed to submit formally to the committee? Let's say I meet some other group. A few of us met people from the Public Policy Forum, and they really want to submit something. Can I tell them they have the right to submit, even if they're not witnesses?

The Chair: Yes. That's my understanding.

Mr. Frank Baylis: It's a formal submission that we will take into account. Do they have to be witnesses?

The Chair: No.

Mr. Frank Baylis: Thank you.

The Chair: Is there anything else? Are we good?

Mr. Frank Baylis: I have another quick question.

Is the conference board one of the witnesses coming?

The Chair: Which conference board? We had the Conference Board of Canada.

Mr. Frank Baylis: It already came. Someone else was asking me about that. That's why I'm confused.

Thank you.

The Chair: Thank you very much, and have a great day.

The meeting is adjourned.

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