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Chair

Mr. David Sweet

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• (1615)

[English]

The Chair (Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC)): Good afternoon, ladies and gentlemen.

Welcome to the 67th meeting of the Standing Committee on Industry, Science and Technology.

Welcome, Minister Paradis and Minister Bernier. You're talking about the main estimates.

I want to briefly introduce those who are with Minister Bernier and Minister Paradis: John Knuble, the deputy minister; Marie-Josée Thivièrge, assistant deputy minister, small business, tourism, and marketplace services; Iain Stewart, assistant deputy minister, strategic policy sector; Mitch Davies, associate assistant deputy minister, science and innovation sector; and Susan Bincoletto, chief financial officer, comptrollership and administration sector.

Minister Paradis, will you begin your comments? Then we'll go to Minister Bernier.

Hon. Christian Paradis (Minister of Industry): Thank you, Chair.

Hello to all the members of the committee.

[Translation]

It is a pleasure to be here today.

I see that time is flying by. A lot of work was done this past year. I would like to bring you up to speed on that work and on the Department of Industry's priorities. We can obviously talk about the measures that will follow from economic action plan 2013.

The issues concern, first, strengthening the manufacturing sector; second, stimulating business innovation; third, promoting entrepreneurship and venture capital; fourth, improving market frameworks; and, fifth, supporting the digital economy. That has been adopted and it is ongoing. Work is under way. I will be pleased to give you more details on that.

I am here with my Deputy Minister John Knuble, Ms. Bincoletto, who is Chief Financial Officer at the Department of Industry, Ms. Thivièrge and Mr. Stewart. Feel free to ask us questions. We have the necessary people to answer them. We will do it to the best of our ability.

Mr. Chair, after several consecutive years of uneven economic growth, the entire world is still at a crossroads. As the government, we will continue our efforts to navigate this turbulent global situation

and to promote job creation, economic growth and long-term prosperity for Canada.

Our efforts have produced results. No fewer than 465,000 jobs have been created, exceeding the peak reached before the recession. That has been the strongest employment growth of the G7 countries during this crisis. In addition, Canada's real GDP is well above pre-recession levels. This is the best performance in the G7.

We will continue investing in growth drivers, job creation, innovation, investment and skills. We remain determined to keep taxes low—which will probably not displease my colleague here on my left—and return to a balanced budget.

• (1620)

[English]

In terms of today's meeting, Industry Canada will be allocated \$1.16 billion through main estimates in 2013-14, which will directly support our jobs and growth agenda. In addition, subject to the will of Parliament, Industry Canada and the industry portfolio will implement measures put forward in economic action plan 2013 and associated priorities.

One of Industry Canada's priorities is to help manufacturers succeed in the global economy. Let's note that manufacturing accounts for 1.1 million jobs across Canada, generates 13% of the Canadian GDP, and conducts almost half of the R and D performed in Canada. Key areas I will highlight include the automotive, aerospace and space sectors, defence procurement, and advanced manufacturing.

As you remember, Prime Minister Harper announced last January an additional \$250 million over five years for the automotive innovation fund.

In March, our economic action plan announced ongoing funding to sustain and improve the strategic aerospace and defence initiative, with \$110 million over four years to create an aerospace technology demonstration program, and forthcoming consultations on the creation of a national aerospace research and technology network. These measures would strengthen Canada's position as a global leader in the production of aerospace and space goods and services.

Our economic action plan 2013 also committed to reform the current procurement process, develop key industrial capabilities, and consider ways to target industrial and regional benefits. These actions will promote export opportunities and help ensure that all major procurements include a plan for Canadian industry participation.

Industry Canada will also work with the Federal Economic Development Agency for Southern Ontario in order to develop world-class manufacturing initiatives, supported through a five-year program beginning in 2014, for an amount of \$200 million.

[Translation]

The government's venture capital action plan was announced in economic action plan 2013. It is a set of measures designed to enhance promotion of the Canadian venture capital system. Funding of \$60 million over five years will be allocated to support business incubators and accelerators and to expand their services. In addition, \$18 million over two years will be allocated to the Canadian Youth Business Foundation to support our young entrepreneurs. The Business Development Bank of Canada will also be making additional investments in firms graduating from business accelerators and will establish new entrepreneurship awards. Businesses, in many cases, suffer shortages when they start up. Some projects are squeezed. This form of funding will therefore be accessible to our businesses.

Innovation is an important factor that we continue to enhance in order to promote growth, improve productivity and raise our standard of living.

Last year, I told the committee that Minister of State Goodyear was directing work on our response to the recommendations made by Tom Jenkins's expert panel. We have acted on those recommendations. In budget 2012, we committed to paying \$1.1 billion over five years to double support, for example, for the IRAP, the industrial research assistance program, to make the business-led networks of centres of excellence program permanent and to recentre the mandate of the National Research Council in order to focus it on demand and to make it more business-oriented.

In action plan 2013, we have also announced additional support in this field in the form of funding for our granting councils, such as the NRC and Genome Canada. I know that you have looked at that in greater detail with Minister Goodyear.

[English]

Another major priority, in addition to keeping taxes low, cutting red tape, and promoting fair tariff trade, is strengthening our marketplace framework policies, which set the conditions for companies to compete, innovate, and invest. We also introduced changes to our investment review process, including guidelines for state-owned enterprises, timelines for national security reviews, and the threshold reviews under the Investment Canada Act.

Following the passage of the Copyright Modernization Act last year, we are continuing to improve our intellectual property protections. We recently introduced, as you know, the combatting counterfeit products act.

[Translation]

It is still important to promote a world-class digital economy. In the next stages, we want our future innovation to be driven by digital technologies in order to support this digital economy and make Canada a digital leader. We have taken several essential measures such as adding a digital component to the NRC and refocusing the mandate of the Business Development Bank of Canada. A digital technology adoption program is now offered through BDC. The

700 MHz spectrum auction, which will be held by the end of the year, will stimulate a lot of activity in the digital economy.

I am determined to move forward with these measures and issues, to examine ways to strengthen the digital economy, support digital skills, encourage technology adoption by business and promote access for Canadians. I know the committee is currently examining this question, and I will be delighted to review the work it does.

Mr. Chair, I believe that, by focusing on the priorities I have outlined here today, Industry Canada and the government will help enhance competitiveness and support our government's goal, which is to create jobs and stimulate growth for all Canadians.

Thank you.

•(1625)

The Chair: Thank you, Mr. Paradis.

[English]

Now to Minister Bernier.

[Translation]

Hon. Maxime Bernier (Minister of State (Small Business and Tourism)): Thank you, Mr. Chair.

I am pleased to be here with you this afternoon.

This is an opportunity to speak about my portfolio, small business and tourism.

I am here today with my associate Marie-Josée Thivièrge, Assistant Deputy Minister, and Mr. Stewart. I want to thank them for being here.

[English]

I would also like to take this opportunity to share with you the important work that this government has been doing to support two areas of great value to this country: small business and tourism.

[Translation]

As many of you know, I am from Beauce, a region that has been nicknamed the kingdom of business in Quebec. I am a proud Beauceron. These resourceful and ingenious business people have engineered the success of the Beauce region.

It is an honour for me to advocate the interests of Canadian entrepreneurs. I do so by sitting at the cabinet table and by meeting entrepreneurs. In a way, my role is to represent them at the table where the government's decisions are made.

As you know, small and medium enterprises are important. They represent 99% of businesses in Canada and contribute to more than 40% of our country's gross domestic product. SMEs create half of all private sector jobs.

I meet with business men and women in my riding and elsewhere in Canada. When I go door to door in my riding, or elsewhere in Canada, and when I hold round tables with entrepreneurs, I always tell them the same thing. I tell them, quite simply, thank you. I thank them because they are the ones who create the jobs and the wealth and who have enabled Canada to emerge from the last global recession, the financial crisis that we experienced in 2008.

[English]

What do small business entrepreneurs say to me in return? They're saying always the same thing. There is too much government on the back of businesses and too much government in their pockets.

[Translation]

The goal of our government is first to establish a business climate that enables businesses to grow. For that reason, we have made it possible for entrepreneurs to keep their money in their coffers so that they can carry out their development projects and create wealth. We have lowered the small business income tax from 12% to 11%. We have established a tax credit for entrepreneurs to encourage them to hire new employees, and we have cut red tape. Entrepreneurs told us that the government was on their backs too much and that there was too much regulation and red tape.

I was fortunate to chair a commission, with some of my parliamentary colleagues and people from the private sector, for the purpose of submitting a report to the government. Through my colleague Tony Clement, President of the Treasury Board, the government decided to act on all of our recommendations.

Entrepreneurs told us about more than 2,300 irritants that they had to overcome every day. Those irritants come from more than 18 federal government departments and organizations. We listened to entrepreneurs, and we can tell you today that more than 40% of the recommendations are now in effect. And the others will be within the year.

• (1630)

[English]

The main recommendation of the Red Tape Reduction Commission has already been implemented. It is the one-for-one rule. If the government wants to introduce a new regulation, the government needs to scrap an existing one. Our government believes that this new rule will turn off the tap on government red tape so that entrepreneurs can spend their time growing their businesses, not growing the government.

[Translation]

We have also established partnerships with 9 provinces, 3 territories and more than 650 municipalities in order to offer the BizPal program. That program, which is called PerLE in French, provides Canadians who want to start up a business with a website that posts all the administrative requirements of the federal, provincial and municipal governments.

There is a lot of traffic on the site, and it is very useful for current and future entrepreneurs. We hope that Quebec will soon be the tenth province to take part in this very popular program.

[English]

We also have a very good partnership with the Canadian Youth Business Foundation, which has helped over 5,000 young Canadians start their own businesses.

[Translation]

Our government will always support job creation in Canada. As you know, I am very proud to work closely with Canadian tourism industry stakeholders. The news about the tourism industry is good. That industry is growing this year and has had 13 consecutive quarters of growth since the last global recession.

Tourism spending in Canada, which represents money spent on airline tickets, hotel rooms, restaurants and so on, reached a record \$8.1 billion last year, a 4.2% increase over 2011. The number of jobs in the tourism industry also rose 2% to 614,600 last year.

Last October, I launched the Federal Tourism Strategy, which is outlined on the government's website, to support this important sector. This very simple strategy addresses the concerns of tourism industry people by eliminating sector irritants so that the industry can grow even more quickly in the next few years.

One important point is that we have established a steering committee, chaired by Assistant Deputy Minister Thivièrge, as part of this strategy. The committee meets regularly with industry stakeholders to assess progress on the strategy, but also to ensure that government as a whole and the various departments and ministers involved view the tourism industry as a priority.

Let me give you an example. My colleague the Hon. Jason Kenney, who is Minister of Immigration and whose cooperation is important, has considerably increased the number of visa processing centres around the world in response to a request by the tourism industry. If we want to attract more foreign tourists to Canada, we have to make it easier for them to obtain a visa. The number of visa processing centres has therefore risen to 130 in 95 countries. Last year, Canada also issued nearly one million visas, a record number.

We will continue to promote Canada to foreign tourism markets. In February, I had the honour to travel to India with the Canadian Tourism Commission and its President and CEO Ms. McKenzie to attend Focus Canada-India 2013, an event organized by the Canadian Tourism Commission to promote the Canadian tourism industry to Indian buyers. I can tell you that the number of tourists from India and China has risen again this year. The Canadian Tourism Commission's mandate is to focus on these high-potential emerging markets over the next few years.

In closing, I want to tell you that I am available to answer your questions. Thank you for inviting us to take part in your proceedings.

Thank you.

• (1635)

The Chair: Thank you, Mr. Bernier.

[English]

Before we go to questions, I want to ask you, members, if you're going to ask questions with regard to the report on plans and priorities, to please refer to the sections. If you have it electronically, it has page numbers, but the witnesses don't have page numbers on theirs. So please refer to the section and it will be a lot easier and more efficient.

Also, after 5:30 the officials will remain here. Those members who don't have to travel—I know some do—will continue to have access to the officials and we can continue our rounds of questioning. As well, the last bus apparently leaves here at 6 p.m. We're asking them to hold it so that there will be a bus here for any member who needs one.

We'll go now to the rounds of questions. The first round is seven minutes.

Mr. McColeman, you have seven minutes.

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

Thank you, Ministers, for taking time out of your very busy schedules to be here and to give us the outline and update that you have.

I'd like to focus in on small business because that was my background for 25 years. I was a business owner in the construction industry prior to coming to Ottawa. I frequently hold business round tables and economic round tables leading into our budgets, and I hear exactly what Minister Bernier has articulated in terms of red tape.

Another area of concern that I hear frequently is the duplication that adds cost to running a small business. In the case of my part of the country, which is southwest Ontario, there are provincial—I would call them—policies that require certain things in the development industry as well as in the construction industry, and they are duplicated at the federal level in many departments.

Is your department working with provinces and territories, maybe not working with but at least making sure that where there is duplication there is a hard look to see whether it is absolutely necessary?

I'll give you an example. A raw piece of land that is zoned properly for building often requires some environmental studies, heritage studies, at the provincial level. These are duplicated at the federal level. When you apply at the federal level, they tell you, "We will not accept the report that you gave to the provincial government. Start all over again. Do it all over again." Hence, taking a piece of property that is properly zoned for an industrial development may take as many as five years to bring on stream.

I cite that as a real-life example and to ask you to please comment. There's not only the need for a great reduction and simplification of red tape and the processing, but also of these duplication items.

Minister Bernier.

Hon. Maxime Bernier: Merci.

Before answering your question, I want to correct myself. In my introductory remarks I said that the spending coming from the

tourism industry was \$8.1 billion. It's more than \$81.9 billion. That's the money that is spent in the tourism industry in a year. So it is not \$8.1 billion, but \$81.9 billion a year of spending in the tourism industry. I'm sorry about that.

Concerning your question, you're absolutely right. It is why we have this website called BizPal. It's very simple, and I encourage the members to google "BizPal". You'll see all the regulations that a business person has to comply with when they want to start a business. If you are in the food industry or restoration, or things like that, you have all the industries. If you're living in London, Ontario, you'll be able to know all the regulations that apply to you as a person who wants to start a new business—at the municipal level, at the provincial level, and at the federal level. Sometimes there are a lot of regulations.

When we did our consultation when I was chairing the Red Tape Reduction Commission, business people told us, "It is great if you reduce red tape at the federal level, but why not speak with your counterparts at the provincial level because there are a lot of regulations there also?" My answer was very simple. We don't have jurisdiction over the provinces, but I assured business people and Canadians that we would be in contact with our provincial counterparts to do the same thing.

I know that in B.C. they are making a lot of effort to reduce the red tape that they impose on their small businesses. I hope some provinces will take our report and try to implement the same kind of report at the provincial level.

But you are absolutely right. As you know, time is money. The less time a business person spends working for free for government, he will have more time to work for himself and create wealth and jobs in this country. Our goal is to do our best at the federal level, but at the same time it's to be sure that the provinces are able to do the same. We need the willingness at the political level in each province. I'm pleased to see what's happening B.C., and I hope the other provinces will follow our lead.

• (1640)

Mr. Phil McColeman: Thank you.

Minister Paradis, in picking up on the idea of small and medium-sized enterprises, you mentioned the promotion of entrepreneurship, and you alluded in your comments to a couple of initiatives that would deal with awards and promote incubators.

Can you go into a little more detail on the focus that budget 2013 puts on this area, and the emphasis that we have in making sure we not only grow but also keep the existing small businesses healthy, and give them a platform for growth?

Hon. Christian Paradis: This is very important, and I think we have to combine 2012 and 2013 in terms of budgets. In 2012 we announced a venture capital fund of \$400 million, and it will soon be announced how it will be managed.

What is interesting about the small and medium-sized enterprises, and what I see everywhere in the country when I hold round tables, is that there are a lot of innovators here. Having angel investors in capital is something that's okay, but when it gets to the time to commercialize, when it gets to the time to go through the commercialization process, people usually choke because the angel funds are exhausted. Now, this is where people need some money.

What was interesting in the last budget was that there will be this venture capital fund from 2012. But on the smaller scale you will also have this \$60 million available over five years, which was announced. These funds will be available to these enterprises to get further. What is interesting, too, is that there is \$100 million that was allocated to the Business Development Bank of Canada. This will be dedicated to helping enterprises that are coming from an incubator or accelerator. Where there was nothing in the past, now the federal government is filling the gap.

The Chair: Thank you, Minister Paradis.

Sorry, time is always our enemy.

Now we'll go to Madam LeBlanc.

[*Translation*]

Ms. Hélène LeBlanc (LaSalle—Émard, NDP): Thank you, Mr. Chair.

Mr. Paradis, the NDP has introduced a motion calling on the House to review the Investment Canada Act. We presented another one in February 2012 to define the net benefit test. Those two motions were adopted with the support of all parties. Clauses 136 to 145 of Bill C-60 to implement the budget make major amendments to the Investment Canada Act.

Are you going to ask the committee that a full, in-depth review of the Investment Canada Act be conducted in committee?

Hon. Christian Paradis: I think the measures we have taken are substantial. We followed the guidelines, which are a very important tool in the act, in making our announcement on December 7. The point at the time was to clarify the rules on foreign state-owned enterprises.

Now, as we have explained, we propose in the act to establish thresholds. From \$344 million, we will phase in increases to \$600 million, \$800 million and \$1 billion, except for foreign state-owned enterprises, for which the threshold will be \$344 million.

• (1645)

Ms. Hélène LeBlanc: Thank you very much, Mr. Paradis.

Are you going to request that a full, in-depth review of the Investment Canada Act be conducted in committee?

Hon. Christian Paradis: I just answered that question. We are satisfied with the changes we have made. The net benefit test is clearly established in section 20 of the act. Six sub-classes must be considered. That is very broad.

Ms. Hélène LeBlanc: Thank you very much, minister.

Will the government be holding consultations to assess the impact of all the amendments it has made to that act in the past four years?

Hon. Christian Paradis: That is what we do constantly. The round tables that my colleagues and I have held across Canada are an example of that. The Prime Minister, the Minister of Finance and I always gather information on that subject.

I can tell you that the clarification of the rules that we announced has been very well received across the country. I can also tell you that Canada is still viewed internationally as a country open to foreign investment.

Ms. Hélène LeBlanc: Last May you announced that the threshold was \$330 million based on the value of the assets of an enterprise, and that it would increase to \$1 billion in four years, based on the business value in subsequent years. You just mentioned that.

Far fewer transactions will be covered by the Investment Canada Act and subject to the net benefit for Canada test.

Has the government seriously assessed the impact that the higher thresholds will have on the Canadian economy, particularly on Canadian companies?

Hon. Christian Paradis: Absolutely. Reports were submitted to the government, the report on competitiveness and that of Red Wilson, which was drafted by well-known economists and competent analysts. We are implementing those recommendations.

Notification will obviously have to be issued for every proposed foreign investment in Canada. As you said, there may or may not be a net benefit analysis depending on the threshold. However, every investment will also be subject to national security rules. We legislated those measures into law in 2009.

Ms. Hélène LeBlanc: Thank you very much. I would like to hand the floor over to my colleague Mr. Harris.

Mr. Dan Harris (Scarborough Southwest, NDP): Thank you, Ms. LeBlanc.

[*English*]

Minister, the 2008 spectrum auction generated \$4.25 billion in revenue for the federal government. Scotia Capital is estimating that the upcoming 700 megahertz auction will generate \$2.6 billion.

The federal government has not yet released any estimates as to how much revenue it believes or anticipates the government will make with the upcoming auction. Will you let us know today how much the government anticipates making from the upcoming auction?

Hon. Christian Paradis: First of all, when we talk about the spectrum, it's not in terms of target revenues. We announced the rules last March. We have a floor price. I don't know it by heart, but I could track it down for you.

The floor price is established in a way that makes sure Canadians get their fair share from this public good. Then after that, of course, the market will compete. This is the way it works.

Mr. Dan Harris: Certainly, if the officials could provide it to the committee later—

Hon. Christian Paradis: It was announced, and it is in the public domain. I will be happy to follow up.

Mr. Dan Harris: Is the government planning to invest any of this revenue in telecommunication infrastructure improvements?

Hon. Christian Paradis: That has not yet been determined. We are active as we speak.

We also announced new infrastructure funds, new money. Some telecom projects will likely be eligible. I guess the responsible way to manage is to set a target and get there but also to see what the needs are in the meantime.

We are very confident that the 700 megahertz spectrum auction will provide a good opportunity to get more competition given the policies that were put in place.

Mr. Dan Harris: Certainly it's important to have a target and a plan.

Hon. Christian Paradis: The starting price was set at approximately \$900 million—

• (1650)

Mr. Dan Harris: That is considerably lower than Scotia Capital's estimates.

Hon. Christian Paradis: That's the starting price, sir.

Mr. Dan Harris: We have a bottom, but we don't have a plan to make sure we get enough money for Canadians.

Quickly going back to the Investment Canada Act, with the changes and the raising of the threshold up to, eventually, \$1 billion, a company could potentially go and buy up several companies that are under that threshold, never have to face a review, and end up with a very large market share. Are there any provisions planned in the Investment Canada Act to deal with that eventuality?

Hon. Christian Paradis: No. As I said, there has to be notification for all the proposals. There is a national security issue that has to be taken into account, according to the legislation that was passed in 2009. If there were a concentration, as you say, we would have the Competition Bureau. This is exactly their jurisdiction.

There is always a way to fully assess what is going on. I think we have to keep the principle in mind that we are open for foreign investment. We need foreign investment. It gives players an opportunity to get into the global value chain.

I know that your party and mine have a lot of differing views about that, but we will keep doing this.

Mr. Dan Harris: We're agreed that foreign investment is important, but New Democrats believe it has to protect Canadian jobs. Certainly when the government allowed U. S. Steel to come in, that did not do the job.

The Chair: Thank you, Mr. Harris.

Hon. Christian Paradis: I'd rather think that you are totally against foreign investment, so this is why—

The Chair: Thank you, Mr. Harris.

Mr. Paradis, that's all the time we have.

We now go to Mr. Lake for seven minutes.

[Translation]

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

Thank you for being with us today, Mr. Paradis. It is a pleasure for me to work with you as parliamentary secretary. It enables to learn and practise my French.

I am going to ask you a question, and then my colleague Mr. Braid will take over.

Minister, could you explain how our economic action plan will affect Industry Canada and its work?

Hon. Christian Paradis: I congratulate you on your clear French, colleague.

The priority that clearly emerges from economic action plan 2013 is the manufacturing sector. We have taken measures since we arrived in power in 2006. My colleague Minister Bernier talked about cutting needless red tape, but there have also been tax cuts. The corporate income tax is now 15%, which makes Canada one of the most competitive countries in the G7. We are going to continue in that direction.

Target sectors include the automotive industry, which will receive renewed funding of \$250 million over five years. This is a major opportunity. We are talking about an innovation fund that drives a parallel economy in the automotive industry, which represents 440,000 direct and indirect jobs.

Funding of \$1 billion is provided for the aerospace industry over the next five years. There are also the technology demonstration projects that have been introduced in response to the Emerson report's recommendations. That is very promising.

Once again, you can see that we are still targeting innovation and high technology. There is another aspect that the government wants to support, and that is creating innovation, but then it has to be sold or else it is worthless. That is where we generate added value in the country, where we create wealth. We have often heard about problems associated with access to capital. That is why we have established venture capital funds. In addition, as I explained earlier, \$60 million will be allocated to incubators and funding will be allocated to the National Research Council so that it can create networks between universities, colleges and SMEs so that SMEs have access to that expertise.

Lastly, we want to optimize the industrial impact of military procurement. Tom Jenkins prepared a report on the subject. In economic action plan 2013, the Minister of Finance clearly stated that we wanted to head in that direction, to structure funding so as to optimize impact in Canada. Even for Canadian procurement projects, various factors will be considered when hiring labour, for the first time or in other situations.

This economic action plan is promising. I think that the measure we should not pass over in silence for the manufacturing sector is the two-year extension of the temporary accelerated capital cost allowance. This support of \$1.8 billion enables people to acquire machinery faster, which increases productivity and, consequently, competitiveness.

As we know, there is a productivity gap between Canada and the United States. A good way to resolve it is to interest our people in investing in better technology, which would enable them to do more with less. That is precisely what is happening now. We have observed a rising trend in recent months. There is more investment in machinery in Canada on a per capita basis than in the United States. So we are on the right track, but we cannot rest on our laurels. We must forge ahead. That is why it is important to adopt the economic action plan 2013. It will enable us to advance in that direction.

• (1655)

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

Congratulations, Mr. Lake.

[*English*]

Voices: Oh, oh!

Mr. Peter Braid: I have one or two questions. I'll try to fit them in.

One question I will not be asking either minister is their thoughts, predictions, on the playoff series that will begin tonight between the Ottawa Senators and the Montreal Canadiens.

Hon. Christian Paradis: We'll call Jacques Demers; he's the expert.

Voices: Oh, oh!

Hon. Christian Paradis: He said Montreal in seven, and I follow him.

A voice: He said that?

Mr. Peter Braid: I would like to ask you, Minister Paradis, about the issue of intellectual property rights and copyright. This committee in fact recently concluded a very comprehensive study on the issue of intellectual property.

Could you update us on some recent initiatives and efforts by the government to enhance intellectual property rights and copyright protections?

Hon. Christian Paradis: I think the major step was to go through with the bill. The copyright bill was I think a very important point. Now there is the implementation. We are at the stage to implement it, and there are several phases. This is a work-in-progress.

Of course, this will help us continue to negotiate with our trading partners. We had to level the playing field, but we had to do it in a Canadian way. We had to do it in the best interests of Canadians. I will of course pay a lot of attention to what the committee has done, because this is a very interesting and important area.

When we have good industries like BlackBerry, for example, deciding to go worldwide, this is quite something, but we have to keep attracting them here with a good and solid regime. Once again, we cannot rest on our laurels. I think the major milestone that had to be achieved, which finally we could do with a majority government, was to adopt the copyright law reform, which had been very expected for a very long time.

Mr. Peter Braid: I see.

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

Mr. Peter Braid: *Merci beaucoup.*

The Chair: Thank you, Mr. Braid and Minister Paradis.

Now we'll go on to Mr. Regan for seven minutes.

[*Translation*]

Hon. Geoff Regan (Halifax West, Lib.): Thank you, Mr. Chair.

Welcome, ministers.

I appreciate the fact that you did not use the 10 minutes you were both allotted.

We've already had mention today of the changes in the budget implementation bill, Bill C-60, to the Investment Canada Act. That is interesting, but I know of at least a thousand Canadians and their families who would prefer to see you enforce the current law, and I'm referring of course to the U. S. Steel situation. From what I understand and what I've heard, the workers in that plant consider your claim that this is only a provincial labour dispute to be an insult.

So why haven't you forced U. S. Steel to live up to its commitments to maintain jobs in Canada? Why aren't you enforcing the existing Investment Canada Act?

[*English*]

Hon. Christian Paradis: When you say it's an insult, it depends on whether you take a demagogue approach or not. I think, with all due respect, you are taking a demagogue approach. You know exactly how the law works. First of all, you have sensitive commercial issues. You cannot put the deal in front of the public; otherwise nobody would come and invest here. So you have some sensitive commercial issues that you have to keep confidential.

That being said, when U. S. Steel acquired Stelco, we had solid requirements. When it was not compliant, we did not hesitate to sue. It was the first time a government did that. Our Conservatives did that. The Liberal government never did that before.

• (1700)

Hon. Geoff Regan: But they aren't maintaining the jobs now. So what are you doing about the situation now?

Hon. Christian Paradis: I'm getting to that point. Now, as you said, this is a labour dispute under provincial jurisdiction. What we have to do here is fully assess the situation to make sure. We expect they will negotiate in good faith. This is what they have to do, and this is what we expect them to do.

Hon. Geoff Regan: Let me go on to the spectrum auction in November. How much has the government set aside, in the main estimates, for the cost of conducting the spectrum auction in November? Will any of those proceeds be used by Industry Canada to foster more competition in the wireless sector?

Hon. Christian Paradis: It's part of the internal operations. It's part of the budget. There's no special envelope for that. This is part of the hard core mandate from the department.

Hon. Geoff Regan: So you can't tell us how much you expect it to cost to run that auction.

Hon. Christian Paradis: We put in the necessary resources, as we did in 2008 and it worked. It comes from the operating budget, and I see the CFO saying the money is there and we have all the resources needed to do it.

Hon. Geoff Regan: That's great, but we're reviewing the estimates, so the idea is to know or be able to find out what the numbers are.

Hon. Christian Paradis: I agree, but you have the numbers here. This is part of the operating budget.

Hon. Geoff Regan: But we don't, actually, in relation to this issue.

Let me go on. As you probably heard, there's a feeling among industry analysts that the auction this fall will not provide adequate competition for the big three incumbents. In fact, in Barcelona, you acknowledged that the hoped-for injection of cash from foreign companies or elsewhere hasn't yet materialized.

You urged foreign telecommunications companies to invest in our telecommunications or in our wireless sector. There have been reports that the uncertainty around the rules regarding the transfer or sale of spectrum is a major hurdle to getting foreign investors on board.

What will happen this fall if players like Mobilicity and Wind Mobile, decide for one reason or another not to participate in the spectrum auction? Do you have a plan B?

Hon. Christian Paradis: We are confident we will get four players. The reason is quite simple. We put a cap, and the incumbents cannot get the fourth paired block. Somebody will go and bid on this. This is a no-brainer. We think this policy works.

Just to go back, in terms of numbers, I told you today in the House of Commons that the prices dropped down by 18% on average from 2008. I said that was StatsCan data, but I want to correct that. It was not from StatsCan but from a Wall Communications report.

Hon. Geoff Regan: Who?

Hon. Christian Paradis: Wall Communications, it was commissioned by Industry Canada and the CRTC. I just wanted to clarify that on the record.

Hon. Geoff Regan: Thank you. Are you suggesting that, if you were to go out on the street right now and talk to people walking by, they'd be satisfied that we have low cell phone prices in Canada?

Hon. Christian Paradis: I would tell them that now, when we compare—

Hon. Geoff Regan: What would they tell you? That's the question.

Hon. Christian Paradis: I would tell them that, when we compare with our peers, we are in the middle average. We dropped down by almost 20%, and this is a work-in-progress. We will continue. We are dedicated to having a fourth player, and we will do whatever we can in terms of policy to achieve this. Frankly, so far time has given us reason—

Hon. Geoff Regan: Wind Mobile said that the limited amount of spectrum available to them and to the smaller players makes it tough for them to bid in the auction in November.

In fact, we have a situation now where all three new entrants are in financial distress or up for sale. For instance, business people like Newton Glassman, of Catalyst Capital Group Inc., have said that if you really want a fourth provider, you need a clear wireless policy. Obviously, he doesn't think that you have one. Mr. Glassman would also like to see you start to enforce the rules on issues like access to towers and domestic roaming.

Why have you failed to put in place, or to enforce, the strong policies that markets are demanding?

Hon. Christian Paradis: First of all, I think we've succeeded. We announced the spectrum outlook, which is the road map for the next five years. When you ask the smaller players what we can do to help, the matter-of-life-and-death to them is cash, it's capitalization. When they know that spectrum is coming, it is easier for them to capitalize. This is why we launched this road map here, which was appreciated.

•(1705)

Hon. Geoff Regan: There's no sign of it.

Hon. Christian Paradis: I want to point out that if you go business to business, one by one, they will each tell you a different version. They feel that the role for government is to have a balanced approach. When you announce a policy and nobody is cheerleading and nobody is very angry, it means that you have struck a balance, and this is exactly—

Hon. Geoff Regan: When nobody is investing in these companies, it's not a very good sign. These companies are in financial distress and nobody seems to want to invest in them.

Hon. Christian Paradis: There were investments and there are new players, and prices went down by 18%. They will continue down this road.

When you talk about the roaming and the tower sharing, we announced broader measures, and if we have to intervene more, we will. For now, the measure that we proposed came.... These are solutions and comments we received from the industry—

Hon. Geoff Regan: I'm hearing from industry—

The Chair: Mr. Regan, that's all the time there.

Hon. Christian Paradis: —to just let the market go with some policy, this is exactly what—

The Chair: Thank you, Minister Paradis.

We move on to our five-minute rounds now. I'm trying to hold it as tight as I can to give as many people as possible an opportunity to speak.

Mr. Carmichael, you have five minutes.

Mr. John Carmichael (Don Valley West, CPC): Thank you, Chair.

Welcome, ministers.

To my colleague, Mr. Braid, I won't dare enter into the Ottawa-Montreal debate, but I will say that I'm pretty sure this is the Leafs' year, so I'll leave it at that.

Some hon. members: Oh, oh!

Mr. John Carmichael: I didn't expect that much hilarity. It was a rocky start last night, but we'll be back.

Minister Paradis, you spoke about the automotive innovation fund, a \$250 million fund supporting innovation in the automotive sector, which is clearly very exciting.

Can you speak to the fund? How does it work, and how does it truly support the auto industry?

Hon. Christian Paradis: You come from the area—it's 440,000 direct and indirect jobs.

In terms of volumes, in today's world, economies like that of Mexico or the southern U.S. states are very competitive in terms of volume. However, if you look at high technology, innovation, and new products, that is where Canada can now be very competitive. We have a corridor of research centres of excellence in Ontario and in Michigan, something that is very attractive to investors.

A good example is when Toyota decided to locate their hybrid Lexus program in Cambridge, which is very good news, the automotive innovation fund was part of that solution.

This is where we can be champions. This is where we try to attract investments from the OEMs, the original equipment manufacturers, which is important because we have a large industry in Ontario in parts manufacturing. We have to keep these people, and the way to keep them is to make sure that we have some OEMs in the cluster.

We are very confident that we will have success in the future with the renewed fund of \$250 million, because so far, the private sector has invested more than \$1 billion since the first time we announced the first automotive innovation fund. We see that it generates economic activity, economic benefits, and it helps Canada's plans to be on the leading edge of technology, which is, I think, the best Canadian brand we can demonstrate.

We don't hesitate to tell investors that we have skilled labour, very competent labour. We have probably the best in the world, and Canada is a great place to live. We can be competitive when we speak about high technology, innovation, and the value-added sector.

Mr. John Carmichael: I agree with you, totally.

I think that it's important for a province such as Ontario, which depends so heavily on the automotive sector, to create innovation that's going to surely replace those jobs with more skills, taking the base of that employment base and redefining it.

Have you received an enthusiastic response from the industry as a whole since the announcement of the renewal?

Hon. Christian Paradis: Yes, absolutely.

I can even mention that some projects are up in the air, so of course the department will be happy to sit down and fully assist them.

I think Ontario has a great track record. When we speak about the J.D. Power awards, Ontario is probably the province that has won the most in North America. That demonstrates that the ingenuity is definitely there. The fact that we continue with the AIF demonstrates that we are bang on in terms of good investments.

• (1710)

Mr. John Carmichael: Thank you.

Switching channels just a little bit over to the aerospace sector and the space sector, I wonder if you could inform us of the recent developments of the Canadian space sector. Could you update us on some of the developments in that area?

The Chair: Very briefly.

Hon. Christian Paradis: Very briefly, we commissioned a report, and David Emerson tabled very interesting recommendations. We have to keep in mind that the last plan dates back to 2005, so there's a way that we can reshape this long-term space plan. That is why he said that we need to have a pan-governmental discussion and a multi-ministerial approach. This is a work-in-progress now, but it has a lot of potential.

In the meantime, we didn't hesitate to fund major projects like the RADARSAT Constellation mission and our participation in the ISS, and we remain a leader in these areas.

[Translation]

The Chair: Thank you minister.

[English]

Now on to Monsieur Lapointe *pour cinq minutes*.

[Translation]

Mr. François Lapointe (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, NDP): Thank you, Mr. Chair.

Mr. Bernier, the people of Beauce are tremendous, but many researchers in the past five years have considered the Rivière-du-Loup region as the SME development model. I simply wanted to mention that.

Hon. Maxime Bernier: We also like competition.

Mr. François Lapointe: That is perfect.

In an interview that you gave to a radio station in Quebec City about a month ago, you expressed satisfaction at having made cuts to the Canadian Tourism Commission that were twice as high as those requested by the Minister of Finance. If I were represented in that way, I would be concerned

There is a consensus within the industry that Canada must do more international promotion because it is a profitable investment. We are falling behind at a time when the market is expanding and our competitors are investing two to three times more in that area than we are.

Did you try to convince your caucus colleagues not to apply the \$13.5-million reduction, or on the contrary did you encourage them not to limit it to \$7.5 million?

Hon. Maxime Bernier: The budget cuts targeting the Canadian Tourism Commission were made in cooperation with the commission itself.

Mr. François Lapointe: The commission itself says that it is underfunded, minister. You know that. We have met those people on several occasions.

Hon. Maxime Bernier: Let me answer your question.

The commission itself submitted budget reduction plans to us. The government made the decision to reduce the budget by 20% based on the plans submitted. However, the tourism industry in Canada is doing very well despite that 20% reduction, as the figures cited earlier show.

Mr. François Lapointe: Minister, we are falling behind internationally and you know it. We have fallen from 8th to 15th place.

Hon. Maxime Bernier: Competition is much stronger at the international level, but the important thing for the Canadian Tourism Commission is to focus on the markets that are very profitable for Canada. That is part of its strategic plan. That is what it has done, and it has the means to do it.

You have a different opinion, but looking at—

Mr. François Lapointe: Minister, it is not that I have a different opinion; the industry people agree that the commission needs decent funding. That has nothing to do with François Lapointe.

Hon. Maxime Bernier: What the industry people say—and I know it since I meet with them regularly—is that they want to ensure that the government takes a global approach to tourism, and certainly —

Mr. François Lapointe: You are proud of your \$13-million budget cuts?

Hon. Maxime Bernier: As a member of the government, absolutely.

Mr. François Lapointe: That's perfect. I have my answer.

Hon. Maxime Bernier: I trust the Canadian Tourism Commission and Ms. McKenzie, who is the President and CEO—

Mr. François Lapointe: She said the commission was underfunded. That is what she told me when I met her.

Hon. Maxime Bernier: Despite those cuts, she will manage to do her job.

Mr. François Lapointe: The SMEs are doing—

[English]

The Chair: Mr. Lapointe.

Minister—

[Translation]

Hon. Maxime Bernier: Ms. McKenzie has been at the Canadian Tourism Commission for several years now. She has proven her expertise.

Mr. François Lapointe: We do not have much time, minister.

Hon. Maxime Bernier: If you want to talk about cuts, then I am going to answer you.

The commission has had special budgets over the years, for the Olympic Games and other events.

Mr. François Lapointe: We are talking about the latest budgets.

Hon. Maxime Bernier: Those special budgets expire—

Mr. François Lapointe: We only have five minutes. So I beg you, minister—

[English]

The Chair: Order.

[Translation]

Hon. Maxime Bernier: That is why funding of \$58 million is now allocated to the Canadian Tourism Commission.

[English]

The Chair: Order, please. We're televised and we also have translation, so when you go argumentatively, the translators can't keep up and there's no way for those who are watching to understand.

[Translation]

Mr. François Lapointe: Thank you, Mr. Chair.

[English]

The Chair: Please go ahead and finish your answer, Minister Bernier.

[Translation]

Hon. Maxime Bernier: I believe I answered the question.

To be more specific, if you look at the changes in the Canadian Tourism Commission's budget, you will see that funding has been allocated to certain specific events, such as \$26 million over five years for the programs related to the Olympic Games. However, the Olympic Games are over, and that funding is therefore exhausted.

Special funding in the amount of \$48 million was allocated to the economic stimulus program in 2009 and 2010.

Mr. François Lapointe: Minister, you are talking about previous budgets. Here we are talking about budget 2013.

Hon. Maxime Bernier: The economic stimulus is over. There is a recovery in Canada. It is fragile, but it is nevertheless there. A special \$5 million fund was allocated to the commission to promote —

• (1715)

Mr. François Lapointe: Minister, allow me to turn to another subject.

Hon. Maxime Bernier: —the 100th anniversary of the Calgary Stampede. That event is over. Funding was allocated to special events, and those are now over.

Mr. François Lapointe: Let us talk about SMEs and labour-sponsored investment funds.

The Canadian Venture Capital and Private Equity Association is opposed to the cuts made to the labour-sponsored funds tax credit. The Fédération des chambres de commerce du Québec and even the Fondation de l'entrepreneurship say this has come at the worst time.

Do you think those organizations are incompetent?

Hon. Maxime Bernier: Like you, they have their point of view. I am not saying that you are incompetent, but you have a viewpoint that differs from mine. I do not call people incompetent when their viewpoint differs from that of the government.

Mr. François Lapointe: How do you justify the fact that these cuts have been implemented whereas the industry as a whole, the SMEs in Quebec in particular, believes that this is a very bad decision?

Hon. Maxime Bernier: For the FTQ fund, for example, we are talking about \$8.8 billion, but only 15% of that amount is invested in small start-ups in Quebec.

We in the government believe that this fund is currently very well capitalized and that the cost to all Canadian taxpayers must also be taken into account. Here we are talking about a revenue loss of more than \$200 million a year for the Government of Canada. The fund still has the means to carry out its mission, that is to say to invest. I hope it invests more than 15% in small start-ups in Quebec. As my colleague the Minister of Industry said, other venture capital vehicles can promote start-ups.

The Chair: Thank you.

Thank you, Mr. Lapointe.

Mr. François Lapointe: As you know, these venture capital vehicles are not established in the regions with the SMEs, or at least far fewer of them are.

Hon. Maxime Bernier: Your region is a kingdom of the SME, and I congratulate you on that. That is also the case of the Beauce region. However, why have entrepreneurs managed—

[English]

The Chair: Our time has run out on that, Minister.

[Translation]

Hon. Maxime Bernier: All right.

I simply wanted to explain to him that the free market enables entrepreneurs to make do and find capital when they need it.

[English]

The Chair: We have two minutes for Mr. Braid.

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

I want to continue on the theme of tourism and ask Minister Bernier a question.

It's exciting to see the profile of Canada increase as an international tourist destination. I think it makes eminent sense that you're focusing on both China and India as sources of tourists to Canada. I'd like to hear more about that strategy, and unlike my colleague across the way, I won't rudely interrupt your answer.

Hon. Maxime Bernier: Thank you very much.

I'm going to use that question to also answer what our colleagues from the NDP asked about the expenses at the CTC. As you know, the Government of Canada invested a lot in tourism not only through the CTC but also with other agencies and departments. If you look at the global budget of the government, \$939 million was spent on projects and program activities that benefited the tourism sector in 2010 and 2011. This is money that is being spent by other

departments and that will have a positive impact on the tourism industry.

We have to look at the budget of the CTC, but we also we have to look at the global budget of the government. I'm very proud of the work they are doing at the CTC. Yes, they had to manage a 9.8% cut of their budget, but that's a cut that they can manage pretty well. They are very competent. Now they will focus their energy and their money on markets where there is a lot of growth, like India and China. As well, we won't forget the U.S. and other markets that we know. The way to do that is by focusing marketing activities on what is nice to see in our country. I can tell you that there are a lot of participants around the CTC, and they are promoting all the great things that visitors can visit here in Canada—the Stampede, Old Quebec, the Rocky Mountains, and all that. They're doing this under the CTC umbrella, the Canadian Tourism Commission.

I was very proud to be in India and to speak with entrepreneurs from the tourism industry. They were very happy for the support that they received from the CTC, and they were also excited about the potential in India for new visitors. If you want details on the markets that the CTC will focus on, the key market is China. We've seen the biggest increase in arrivals from China. In 2010, 2011, and 2012, the number of arrivals from China increased by 20%. So what they're doing at the CTC is working. In 2012, China overtook Australia in Canada's five top inbound markets. Nearly 300,000 visitors from China came to Canada in 2012. The same thing also occurred for India and other markets like that. It's because of the work of the CTC and of the industry as well.

• (1720)

The Chair: Minister Bernier.

Hon. Maxime Bernier: We have an efficient and very good organization in Vancouver promoting our country.

The Chair: I'm sorry, I'm interrupting you for your schedule. I understand that your commitment is done. I wanted to say thank you very much for your time here before the committee.

We'll suspend for a moment while the ministers go and then we'll have time with the officials. Those who can stay, please stay. I understand that some people have commitments to travel.

• (1720)

(Pause)

• (1720)

The Chair: We'll begin with the NDP. We have a gentlemen's agreement that now we'll just be questioning witnesses and taking evidence.

I want to let you know that the last bus will be delayed until 6:10, so if we go right until six o'clock they'll wait for you to pack things up and get on the bus.

Hon. Mike Lake: Mr. Chair, I have a point of order.

Just to make sure that we're clear, should we actually move a motion regarding rules or anything like that?

The Chair: I—

Hon. Mike Lake: I just want to make sure that—

The Chair: I think it's on the record.

Hon. Mike Lake: So people can feel comfortable with the consent that this was the case.

The Chair: I saw consent on that, so you don't have to worry.

Hon. Mike Lake: Okay, good.

The Chair: Okay, thank you.

Now we'll move to Madam LeBlanc.

[*Translation*]

Ms. Hélène LeBlanc: Thank you very much, Mr. Chair.

I would like to thank our guests for staying a little longer and taking the time to answer our questions.

My question is for Mr. Knubley. In fact, I would like to ask him the same question that was put to the minister.

Division 6 of Bill C-60 makes quite significant amendments to the Investment Canada Act.

Fewer and fewer transactions will be covered by the Investment Canada Act. Has Industry Canada studied the impact that this might have on the Canadian economy? Does it intend to conduct studies on the subject and to examine those consequences in greater detail?

There was a kind of uproar over the CNOOC-Nexen transaction. The issue was whether it was a good thing for Canada. At the Prime Minister's press conference, we suddenly saw that the rules would be changed. We seem to be operating on a somewhat piecemeal basis.

Does the government really intend to determine the consequences of the fact that fewer transactions would be examined under the Investment Canada Act?

• (1725)

Mr. John Knubley (Deputy Minister, Department of Industry): As the minister mentioned, that subject was addressed in a series of reports. First there was the study by Red Wilson approximately three years ago. Then that of Tom Jenkins also addressed the subject and examined it.

Ms. Hélène LeBlanc: Yes, thank you very much, Mr. Knubley.

I read those reports. The fact remains that, in this instance, the act cannot in any case be subject to the parliamentary process or to in-depth review by a committee. Those provisions have been added, but they are not subject to debate in the House of Commons. The government relies on reports prepared by outside experts, but that does not require approval by the Canadian population.

Ultimately, I see that no one has really examined the consequences that these significant changes could have on Canada's economy, particularly on its industry.

[*English*]

Mr. John Knubley: Maybe one thing I will say is that I worked in strategic investment analysis at Industry Canada 20 years ago, before I came to become deputy minister. Really, these issues have been discussed for many years and there have been many reports on these issues.

One thing I was very impressed with as a deputy minister who joined the department in September and worked through these issues in the fall is how, since 2009, there's really been a series of changes to the act that have built towards the announcement that occurred in December.

There was the national security review changes that were introduced. There were changes related to the Red Wilson report in terms of the thresholds. There was the introduction of the new guidelines.

Ms. Hélène LeBlanc: But what are the consequences for the firms that are in Canada and are slowly disappearing, the home-grown Canadian firms? Are there consequences to that, the fact that we are loosening and raising the threshold for the thing? That's what my question is about, and the vulnerability of our Canadian economy and the loss of good-paying jobs. That's the concern I raise when I see that threshold being raised.

Again, I want to mention that we are for foreign investment, but we're not sure this act is really protecting Canadian jobs here.

Mr. John Knubley: I think there's always a question in this domain of balancing the desire to demonstrate openness of the economy to others and to encourage investment. If you look at the needs of the country in terms of investment, they're very large, whether it's in Nova Scotia, Alberta, or wherever. On the other hand, there are the issues of ensuring we have a strong, robust Canadian-based series of companies.

I think the bottom line is that we have a net benefit test that has six criteria, and those six criteria, which have been in place for some time, are really designed to look at these issues that you're raising.

• (1730)

Ms. Hélène LeBlanc: Thank you.

The Chair: Thank you, Madam LeBlanc.

Mr. Carmichael, you have five minutes.

Mr. John Carmichael: Thank you, Chair.

Minister Paradis spoke about the VC fund and the angel fund. As a business person, I applaud the effort. I'm very hopeful it's successful. He also mentioned that Canada's open for business. Clearly that is an initiative that we all agree with.

Related to taxes, under Minister Bernier, taxes went from 12% to 11% on SMEs, with a tax credit for hiring—two wonderful provisions. Then he spoke about the Red Tape Reduction Commission, and talked about some 200 irritants that were removed in 18 ministries. Is that number correct? I think that's right.

Then he talked about the one-for-one rule, which I find particularly encouraging. On that one-for-one rule, is there a way of auditing or measuring that so that you know, having been through that process, that its intent will be maintained?

Mr. John Knubley: My understanding is that each department has basically been tasked with organizing themselves in terms of applying the one-for-one rule. I think most departments, including Industry Canada, have set up new units to deal with the issues around the red tape exercise.

Related to that, Treasury Board, who is the lead on the red tape exercise, has an evaluation approach annually, I believe, with each department assessing how we're doing in terms of implementing the red tape initiative. I think we report annually in terms of a scorecard.

Mr. John Carmichael: Oh, good. There is a scorecard for it.

Mr. John Knubley: Yes.

Mr. John Carmichael: Excellent. That's encouraging.

I wonder if we could just talk about a couple of youth initiatives. Both ministers spoke to youth issues. Minister Paradis talked about youth enterprises, \$180 million over four years.

I wrote it down, but I'm not sure if I got the right number there. Is that accurate?

Mr. John Knubley: I think it's \$18 million over—

Mr. John Carmichael: It's \$18 million, then, and not \$180 million; clearly I didn't get the right number.

Mr. John Knubley: That's for the Canadian Youth Business Foundation.

I understand there's an expectation that there would be match funding from the private sector, and John Risley—

Mr. John Carmichael: Sorry, is that the Canadian youth foundation?

Mr. John Knubley: It's the Canadian Youth Business Foundation.

Mr. John Carmichael: Sir, I had two groups written down. There was the Canadian Youth Business Foundation, which Minister Bernier spoke of. I also wrote down “youth enterprises”, which Minister Paradis spoke about.

Are they separate initiatives?

Mr. John Knubley: I'm not sure what.... I think he must have meant the same, I would guess. We could check with him on that.

Mr. John Carmichael: All right.

Does anybody have any understanding of how the programs work? Let's talk specifically about the Canadian Youth Business Foundation. Some 5,000 new businesses are being incented to develop under that program, is that right?

Mr. John Knubley: The Canadian Youth Business Foundation is a not-for-profit organization. I believe John Risley is the chair of the board that advises it. It's been in place since 1996. It basically provides loans and mentoring to entrepreneurs between the ages of 18 and 39.

Mr. John Carmichael: Excellent.

That's all I have at this point, Chair.

The Chair: Thank you, Mr. Carmichael.

Monsieur Lapointe, you have five minutes.

[Translation]

Mr. François Lapointe: Thank you, Mr. Chair.

Let us talk about SMEs and the Canada Job Grant.

Jordan Gould, who is a consultant at Richter LLP and has adopted a position similar to that of the Canadian Manufacturers and

Exporters Association, is not very enthusiastic on the subject. He says that most small business owners find it difficult to access job grants. This grant would better suit large businesses that have the resources to manage the process.

Since the Canada Job Grant is disputed by both the provinces and SME associations, how does the Minister of State (Small Business and Tourism), intend to change this reform so that it can one day help both SMEs and big business?

[English]

Mr. John Knubley: Well, I think what I would want to reinforce is that specifically the action plan of 2013 has taken a number of steps to help small business.

[Translation]

Mr. François Lapointe: Do you agree that this reform is less well suited to SMEs than to big business? The regional chambers of commerce and consultants as a whole say it is better suited to big business. If the Canada Job Grant were implemented, despite the challenge by the provinces, small business would receive much less assistance. This is poorly suited to SMEs. Can we agree that there is a problem here?

• (1735)

Mr. John Knubley: I do not believe so.

[English]

I think that on this particular question, though, we'd want to come back to you. I'm not entirely clear on what the issue is.

[Translation]

Mr. François Lapointe: All right.

We talked about reducing red tape. However, I have looked, but the only actual policy I have found for the moment is the policy of having to cancel one form before being entitled to create another.

Unless basic arithmetic no longer works, one minus one still equals zero. How can we say there is a reduction? For the moment, this policy boils down to roughly one minus one, whereas there are I don't know how many hundreds of irritants. Based on all the consultations I have conducted with the chambers of commerce, people say they have not noticed any reduction in federal government red tape in the past two years, absolutely none. It has stagnated. One minus one equals zero. Can we stop talking about reducing it if we are at zero?

Mr. John Knubley: As Minister Bernier indicated, we have taken significant action to reduce administrative formalities.

[English]

Specifically—and I think I was asked about this earlier—the action plan introduces six fundamental system-wide reforms, and this has led already to 90 department-specific changes.

Again, to reinforce what Minister Bernier said, perhaps the most important change is this one-for-one rule, which—

[Translation]

Mr. François Lapointe: Yes, but one minus one equals zero. There is no reduction unless basic arithmetic no longer works.

Mr. John Knubley: I understand exactly what you are saying, but we are improving the situation if we cancel—

Mr. François Lapointe: Yes, but that is not a reduction.

With regard to the credit that was granted to the credit unions, and the caisses populaires in Quebec, once again, the chambers of commerce in the regions say that will harm SMEs because it cannot be said that that will equalize opportunities, contrary to what the government in power claims. The caisses populaires are established in very small municipalities and support very small SMEs that have never received assistance from chartered banks.

At least 70% of SMEs are supported by credit unions, particularly in the regions. If they are weakened, then the SMEs in the regions will be under attack. Do they understand the problem in your department?

[English]

Mr. John Knubley: I think this is really a question for the Department of Finance.

What I might do, though, because you mentioned the *caisses de crédit*, is really change the topic a little bit and just recognize that the industry department has taken on new responsibilities recently with respect to cooperatives.

[Translation]

Mr. François Lapointe: I would like to emphasize that the SMEs in the regions are affected. Is there a chance of stopping the cancellation by 2017, which would leave us a little time? Can we hope that the SME sector, particularly in the regions, will get an opportunity to say that this is a bad reform? We cannot say that there is equality with the chartered banks.

I will stop troubling you with that question on the day the chartered banks arrive in Tourville and Saint-Pamphile to provide an SME with \$100,000 in financing. For the moment, that is entirely false. The SMEs, particularly in the regions, will suffer without the credit unions and caisses populaires.

Mr. John Knubley: Like you, I am convinced that the SMEs are very important. This issue concerns direct and indirect taxes.

[English]

The Chair: That's all the time you have, Mr. Lapointe.

Mr. John Knubley: That's a matter for the Department of Finance.

The Chair: Thank you very much, Mr. Knubley and Mr. Lapointe.

We'll now move on to Mr. Lake for five minutes.

Hon. Mike Lake: Thank you, Mr. Chair.

Thank you to the witnesses for making yourselves available at an atypical hour for a committee so that we could hear a little more from you today.

I want to talk a bit about the Emerson report, if we could.

Maybe you could start by giving the background as to why the report came about, or how that report came about, and what the mission was of the group that was looking into the issues. Then maybe you can elaborate a little on the stakeholder reaction to the

report, on what we have heard from stakeholders since the report was released, and maybe in conjunction with the measures contained in the budget in response to the report.

• (1740)

Mr. John Knubley: Mr. Chair, I'd be very happy to do that.

The Emerson report was tasked by the Government of Canada on February 27, 2012. I think the context for this work is very much the issue of competitiveness of the aerospace sector. Of course, the aerospace sector is exceedingly important across the country, particularly in Quebec and Ontario but also in B.C., and there's some important activity I know in Atlantic Canada, where I once worked.

The way the study worked was the Honourable David Emerson was the head of the review, and he was assisted by a three-member advisory council, including Senator Papatello, from Ontario; Jim Quick, who's from the association; and Dr. Jacques Roy. On November 29 the final report was released. There were really two parts to it, one focused exclusively on the aero side and the second focused on space.

In terms of the response of the stakeholders, it was very positive. I think that throughout the process David Emerson and his advisory council spent a lot of time involving stakeholders. There were various subcommittees on specific issues, which eventually led to the specific recommendations. Key themes in the report are innovation, market access and development, supplier development, workforce skills and training, and procurement, of course. Procurement has been highlighted in the budget, as you've seen, not only with respect to the aerospace sector but more broadly.

As we move forward, we're working with the government to ensure that we respond quickly to the recommendations. The budget itself refers to \$1 billion over five years for the strategic aerospace and defence initiative, and to \$110 million over four years and \$55 million annually for the aerospace technology demonstration program, which Minister Paradis referenced.

We're also launching further consultations in the coming months on the creation of a national aerospace research and technology network. This was something in the consultations around the report. Stakeholders are particularly keen to create a national network. I think there's a very solid network already in Quebec that we're wanting to build on, and it was cited as a best practice.

Finally, in terms of moving forward, and this is the area of Transport Canada, there's a review of cost-recovery rates for aircraft safety certification, to ensure the national aircraft certification program can respond and go to demand. This was a particular request from the stakeholders, recognizing they needed to have a rapid response in the area of transportation safety in the aero sector in order to be competitive globally.

Hon. Mike Lake: Okay.

I have one minute left, so I'll ask a very basic question.

In regard to that, perhaps you can speak for that last minute about Canada's position in the global aerospace industry.

Mr. John Knubley: I think Canada, as many of you know, has a very strong aerospace sector, and has traditionally done well in that sector in terms of participating in the North American market and the European market.

As we look forward, the real challenge, as in many sectors, is the emergence of production in emerging markets, particularly China, for example, which is developing their capacity in this area rapidly, and also developing new production rapidly. One of the big issues, in order to remain competitive, is whether we put our industry in a position to participate effectively in our new emerging markets.

The Chair: Thank you, Mr. Knubley.

We're now moving to our final round. With the time the way it is, to be as fair as possible we'll have four people: Conservative, NDP, Conservative, Liberal. We'll do four minutes, and then that way everybody will get an opportunity, particularly Mr. Regan, who's waited here and should have the opportunity to question.

Mr. Braid, you have four minutes.

Mr. Peter Braid: Thank you very much.

I actually want to stay on this theme, which I touched on earlier, of the importance of intellectual property.

I'm seeing in the main estimates for Industry Canada on pages 187 and 188—and the following page of 188 specifically—an increase of \$6.7 million for the Canadian Intellectual Property Office, as part of a strategy to upgrade that organization's IT infrastructure. Given the importance of CIPO, and of intellectual property, I'm pleased to see this investment.

Will this investment help to modernize CIPO? Will it also help to streamline the patent process?

• (1745)

Mr. John Knubley: What I can say is that with respect to, I think, this particular expenditure, it is very much dealing with the fact that they have legacy systems in place, as many departments do, and they are moving to a modern IT system in the CIPO area. This is a priority for the organization, and in the long run it should help modernize the processes around that because of a stronger foundation from the IT system.

But I can also add that I know the organization is also spending a lot of time engaging and consulting with stakeholders around the mandate of the organization and is looking very much at the issues you're raising, in terms of how CIPO, as an organization, can better serve the activities of small and medium-business enterprises, and do it in a streamlined way. I think Sylvain, who heads the organization, is spending a lot of time encouraging CIPO to reach out to stakeholders around these issues.

Mr. Peter Braid: Thank you. That's a very helpful response.

A more general question.... In terms of overarching themes, many of the initiatives that both ministers spoke about seem to touch on the importance of two critical objectives for our country. The first one is accelerating entrepreneurship, and the second one is fostering innovation.

Could you just elaborate on why those two public policy objectives are so important and how we're helping to achieve them?

Mr. John Knubley: Maybe what I will say is that the department actually has three strategic objectives, and that's typically always shown in our documentation. Those three objectives are probably worthwhile reviewing and they touch on the two issues you've raised.

The first objective is to ensure that the Canadian marketplace is efficient and competitive. It's about getting the economic framework right, so, of course, the issues at play there are policies and programs, and modern legislation and policies to support competition, investment, corporate insolvency law, copyright patents, and trademarks. The recent work that you've been doing is very much in the area of this strategy objective, in terms of an IP regime, and we look forward to continuing to review the work that you've done here and to work with you on that.

Our second strategic objective is improving the knowledge-based economy through innovation and research and development. Minister Goodyear, who appeared here a few weeks ago, I think really covered the issues here in great detail. But the strategic objective of Industry Canada is to really put in place measures to help Canadian businesses and universities to be at the forefront of global innovation and scientific development. Of course, what we've done in the recent budget is taken a number of steps in terms of refunding the granting councils. The funding of the National Research Council and its transformation are examples of the kinds of initiatives that are related to this strategic objective.

Then lastly, the third strategic objective is just focusing on Canadian businesses and communities, so all of the things we've talked about in terms of small business and tourism are specific aspects of that.

These three areas are really the fundamental priorities of the department, and all with the aim, of course, of supporting business and industry in Canada to be more competitive and productive.

The Chair: Thank you very much.

Thank you, Mr. Braid.

Now we'll go to Madam LeBlanc.

• (1750)

[*Translation*]

Ms. Hélène LeBlanc: Thank you very much, Mr. Chair.

Once again, I want to thank our guests very much for staying with us.

You referred to the transfer of responsibilities associated with the cooperatives from Agriculture Canada to Industry Canada. How much money is allocated to manage those new responsibilities?

In addition, will the cooperative development initiative, the program that assisted emerging cooperatives, be restored? That program helped a lot of emerging cooperatives.

Lastly, what is the situation regarding the Co-operatives Secretariat?

[English]

Mr. Iain Stewart (Assistant Deputy Minister, Strategic Policy Sector, Department of Industry): The people who support the co-op file at Industry Canada are within my group. My group has a unit called the strategic policy group, in which these experts are situated. In addition, my group includes the regional executive directors for each region of Industry Canada. What I've done is establish a matrix across the five regions so that the regional executive directors and their staff reach out, engage, and work with the co-op movement. The result is actually to leverage resources across my sector. They're the people who are working on the file.

With respect to your second question with the program, we do not have plans or funds at the moment for that program.

Ms. Hélène LeBlanc: Were there funds allocated, though, to embark on this new responsibility? Were there funds allocated to your department, which was already a department in itself, supplementary funds that were allocated to receive this new responsibility and to bring about the objectives set out to help the cooperative sector?

[Translation]

Mr. John Knubley: Yes, there was an amount, and we are still discussing those funds with the former department.

[English]

I would say, as Iain was stressing, that part of the idea here and part of the logic of the move, if you like, was to really try to take advantage of the existing resources that Industry Canada has, particularly from a regional perspective.

[Translation]

Ms. Hélène LeBlanc: We hope the next budget includes adequate resources for you to be able to continue.

With your permission, Mr. Chair, I would like to hand the floor over to my colleague.

Mr. François Lapointe: I thank my colleague.

Thank you, Mr. Chair.

I would like to talk once again about the appearance of the voluntary code of conduct in budget 2013. It is somewhat surprising because it is a code of conduct, not a program. It is not a department, but it is there. We now know that 64% of economists in Quebec were questioned on the subject. Nearly 80% of the members of the Association des économistes québécois are more or less or completely of the view that the excessive charges that credit-card-issuing companies levy on merchants should be regulated.

Once again, we do not see that. We do not see any will in the budget to introduce regulations on this issue, despite the fact that, once again, there is a virtual consensus within the industry. There is a universal consensus among the merchants' associations. Only the CFIB says that the code may work one day, but the retailers, service stations and others say this must be regulated. What is your thinking on the idea of ultimately adopting regulations?

Mr. John Knubley: Mr. Chair, once again, that is a matter for the Department of Finance.

Mr. François Lapointe: All right, but it also concerns SMEs. They think that the fees are excessive.

Mr. John Knubley: Taxes and credit cards are often the responsibility of the Department of Finance and Minister Flaherty. I am not aware of the matter, but we can nevertheless request—

Mr. François Lapointe: Mr. Chair, there are two subjects here. There was the impact of the Canada Job Grant, which is specific to SMEs. There are also the implications of the non-regulation of credit cards, and Mr. Knubley suggests following up on those two questions. Can we ensure that this is tabled with the committee and that we can receive documentation on these two subjects?

[English]

The Chair: What kind of follow-up would you like?

[Translation]

Mr. François Lapointe: Mr. Knubley has offered to provide follow-up on both topics. A few seconds ago, he spoke about the non-regulation of credit card fees. There is also the Canada Job Grant and the inequality that causes between large and small business. In both cases, Mr. Knubley said he could provide other information to the committee. I would be very interested in receiving it.

• (1755)

[English]

The Chair: Okay, on the credit card issue, I think Mr. Knubley just answered that. That's the Department of Finance, but if there is something he would like to forward, that's fine.

On the other issue, do you have some information you could forward to the committee that I could distribute, Mr. Knubley?

Mr. John Knubley: Again, we'll have to touch base with the Department of Finance to determine what can be done there.

Marie-Josée, perhaps you could just speak more generally about the role we have with respect to small business.

[Translation]

Ms. Marie-Josée Thivièrge (Assistant Deputy Minister, Small Business, Tourism and Marketplace Services, Department of Industry): I thank the members of the committee.

Essentially, all questions and issues concerning the SMEs are a horizontal responsibility of the Department of Industry and other federal departments and agencies. Our role is to conduct an overview of what is going on, but certain responsibilities and decisions fall specifically to other departments and agencies.

Industry Canada manages a portfolio of programs and services such as the Canada Small Business Financing Program, for example. The Business Development Bank of Canada is part of the Department of Industry's portfolio. The Canada Youth Business Foundation, which we briefly talked about earlier, is also under Industry Canada's responsibility. The BizPal, or PerLE program, which Minister Bernier referred to, is a service offered in partnership with the provinces and municipalities. We administer that service. There is also the entire question of the National Research Council's industrial research programs. The Canada Business Network is part of Industry Canada.

Several programs and services fall under the responsibility of Minister Paradis and Minister Bernier. Other programs have an impact on SMEs and are part of a government plan, but the measures as such are the responsibility of another department or minister.

[English]

The Chair: Okay, we're way over the time for this, and I need to allow Mr. Regan to have his five minutes. I think this is the best way to settle this.

If you'll just look at Mr. Lapointe's testimony for anything that falls within the purview of your responsibility and submit any additional information to the committee, that would be great.

Mr. John Knubley: I'd be happy to do that.

The Chair: Submit it to the clerk, yes. Thank you very much.

Mr. Regan, you have five minutes.

Hon. Geoff Regan: Thank you very much, Mr. Chairman.

The minister mentioned a Wall Communications study done for Industry Canada in relation to cell phone costs in Canada. That's Wall Communications. Can you tell me how much Industry Canada paid for this study, was it sole sourced, and are you able to provide the committee with a copy of the report?

Mr. John Knubley: We'll have to look into that and come back to you. I'm not aware of these specifics. We'll provide that to you.

Hon. Geoff Regan: Thank you.

In relation to the changes proposed to the Investment Canada Act, in December after the CNOOC decision the rules changed for the energy sector. Does Bill C-60 extend these changes to all other sectors? If so, why? If not, why not?

Mr. John Knubley: I think that, again, going over what happened in terms of the announcement of December 7th by the Prime Minister, basically the government announced clarification to the foreign investment review process, particularly in terms of state-owned enterprises. The bottom lines are that investments in the oil sands will be, if not of net benefit, only on exceptional basis. Any other state—

Hon. Geoff Regan: This is strictly to the oil sector? It's only the oil sector, right?

Mr. John Knubley: Actually, it's very specific to the oil sands.

Hon. Geoff Regan: It's the oil sands.

Mr. John Knubley: Then for the other sectors, the rule we have is that we monitor carefully any other state-owned enterprise acquisition in the natural resources sector, but indeed any sector.

Hon. Geoff Regan: Okay.

Mr. John Knubley: Maybe it's helpful for the committee to be aware that the two tests are really related to the commercial orientation of the state-owned enterprise, as well as demonstrating what kind of relationship it has with the home country.

Hon. Geoff Regan: Thank you.

Mr. Knubley, the Regional Municipality of Durham has written to the minister asking that he set aside rural areas from urban areas, and deal with them separately in the next spectrum auction this fall, to

ensure that rural Internet providers can avail themselves of much-needed licence spectrum.

It seems to me that if you really wanted to end the way spectrum licensing discriminates against rural Canadians, the minister would review this policy of bundling rural and urban together. Is the department considering this, or is the minister considering this?

● (1800)

Mr. John Knubley: We're really undertaking a broad set of consultations on all these issues, and I think the short answer is that certainly this issue of rural coverage and implications is one we're taking very seriously.

Hon. Geoff Regan: Thank you.

The Canadian Advanced Technology Alliance, which describes itself as Canada's largest high-tech association, has recommended that Industry Canada accommodate m-health in its spectrum allocation review. CATA says research estimates that the universal adoption of m-health would result in annual health care savings of 5% to 10%, which of course across Canada would be enormous. Does Industry Canada intend to act on this recommendation to accommodate m-health in its spectrum allocation? If so, why? If not, why not?

Mr. John Knubley: Again, what I can say today is that certainly we're aware of this recommendation. We believe we are undertaking these auctions to provide spectrum to the various companies in the sector to allow for many new practices to be undertaken, which are competitive. This is a big issue for the country because the data shows, of course, that Canada lags significantly behind the United States in terms of adoption of leading IT practices.

So without responding specifically to that particular issue, Mr. Chair, I can say we're looking at that, and of course, wanting to ensure we have a competitive ICT sector in the country.

Hon. Geoff Regan: Thank you.

The Public Interest Advocacy Centre recently released a report entitled "Transparency in Broadband Advertising to Canadian Consumers". The report suggests that consumers are not effectively informed about Internet speed and performance claims made by their ISPs. Is it the department's view that ISPs need to be more complete and precise in their disclosure about the various aspects of Internet performance and the reliability of their so-called "up to" advertising claims? Do you see a need for enforcement guidelines focused on how these claims are conveyed to consumers, and what are you doing about that?

Mr. John Knubley: I'm not yet up to speed on this issue, so I'd be happy to get back to you on that.

Hon. Geoff Regan: Thank you.

The Chair: It's fair to mention that the Conservatives passed on their spot, so everybody could get a five-minute spot.

Thank you very much for your testimony.

Also thank you, researchers, clerks, and all other staff for staying late. We appreciate your help.

The meeting is adjourned.

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